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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) (the “**Board**”) is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014. This announcement contains the full text of the interim report of the Group for the six months ended 30 June 2014 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Listing Rules**”). The Condensed Consolidated Financial Statements prepared by the Group for the six months ended 30 June 2014 has been reviewed by PricewaterhouseCoopers in accordance with the International Standard on Review Engagements. Unless otherwise stated, the financial figures of the Group are expressed in RMB. The interim results have also been reviewed by the Audit Committee of the Bank (the “**Audit Committee**”). This results announcement is published on the websites of the Bank (www.cqrcb.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2014 will be despatched to shareholders and will also be available at the abovementioned websites in due course.

By order of the Board

Chongqing Rural Commercial Bank Co., Ltd.*

重慶農村商業銀行股份有限公司*

Liu Jianzhong

Chairman and Executive Director

Chongqing, the PRC, 15 August 2014

As at the date of this announcement, the Executive Director of the Bank is Mr. Liu Jianzhong; the Non-Executive Directors are Mr. Tao Jun, Mr. Wang Yongshu, Mr. Wen Honghai and Mr. Gao Xiaodong; and the Independent Non-Executive Directors are Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili.

* The Bank holds a financial licence number B0335H250000001 approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business licence with a registration number 5000000000001239. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.

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Contents

1.	Financial Summary	2
2.	Company Information	5
3.	Management Discussion and Analysis	
(1)	Financial Review	7
(2)	Business Operation	42
(3)	Financial Business in County Area	62
(4)	Risk Management	66
(5)	Internal Audit	72
(6)	Outlook	73
4.	Changes in Share Capital and Particulars of Shareholders	74
5.	Directors, Supervisors and Senior Management	79
6.	Major Events	80
7.	Report on Review of Interim Financial Information	82
8.	Condensed Consolidated Financial Information	83
9.	Unaudited Supplementary Financial Information	145
10.	Organisation Chart	154
11.	Definitions	155



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 2014	For the six months ended 30 June 2013	Change in amount	Change (%)
Operating results				
Net interest income	8,850.7	7,592.5	1,258.2	16.57
Net fee and commission income	397.8	303.0	94.8	31.29
Operating income	9,480.9	7,963.3	1,517.6	19.06
Profit before tax	4,772.9	4,239.1	533.8	12.59
Net profit	3,601.7	3,219.7	382.0	11.86
Net profit attributable to equity holders of the Bank	3,591.0	3,217.3	373.7	11.62
Basic earnings per share (Expressed in RMB per share)	0.39	0.35	0.04	11.43

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014	As at 31 December 2013	Change in amount	Change (%)
Scale indicators				
Total assets	594,481.0	502,446.0	92,035.0	18.32
Among which: loans and advances to customers, net	218,589.0	198,150.6	20,438.4	10.31
Total liabilities	555,646.5	465,556.7	90,089.8	19.35
Among which: due to customers	395,088.2	347,883.4	47,204.8	13.57
Equity attributable to equity holders of the Bank	38,185.9	36,251.4	1,934.5	5.34
Non-controlling interests	648.6	637.9	10.7	1.68
Total equity	38,834.5	36,889.3	1,945.2	5.27

(Expressed in percentage)	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Change
Profitability indicators			
Annualised return on total assets ⁽¹⁾	1.21	1.32	(0.11)
Annualised average return on total assets ⁽²⁾	1.31	1.40	(0.09)
Annualised return on shareholders' equity ⁽³⁾	18.55	18.85	(0.30)
Net interest spread ⁽⁴⁾	3.16	3.18	(0.02)
Net interest margin ⁽⁵⁾	3.38	3.39	(0.01)
Net fee and commission income to operating income	4.20	3.80	0.40
Cost-to-income ratio ⁽⁶⁾	33.37	34.62	(1.25)

(Expressed in percentage)	As at 30 June 2014	As at 31 December 2013	Change
Assets quality indicators⁽⁷⁾			
Non-performing loan ratio	0.85	0.80	0.05
Allowances to non-performing loans	418.72	430.60	(11.88)
Allowances to total loans	3.55	3.46	0.09
Capital adequacy indicators			
Core Tier 1 capital adequacy ratio ⁽⁸⁾	9.80	11.85	(2.05)
Tier 1 capital adequacy ratio ⁽⁸⁾	9.80	11.85	(2.05)
Capital adequacy ratio ⁽⁸⁾	12.68	13.64	(0.96)
Core capital adequacy ratio ⁽⁹⁾	10.37	12.51	(2.14)
Capital adequacy ratio ⁽⁹⁾	12.37	13.31	(0.94)
Total equity to total assets	6.53	7.34	(0.81)

(Expressed in percentage)	As at 30 June 2014	As at 31 December 2013	Change
Other indicators			
Loan-to-deposit ratio ⁽⁷⁾	57.37	59.00	(1.63)

Notes:

- (1) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the period-end balance of total assets.
- (2) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the period.
- (3) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the period-end balance of total equity including non-controlling interests.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-earning assets.
- (6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- (7) Non-performing loan ratio, allowances to non-performing loans, allowances to total loans and loan-to-deposit ratio were calculated on basis of the contractual amount of loans.
- (8) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC.
- (9) Calculated in accordance with the Management of Capital Adequacy Ratios of Commercial Banks (Amendments) 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. Therefore, certain disclosures in relation to loans and advances to customers and relevant assets quality indicators in the “Management Discussion and Analysis” in this report were prepared based on the contractual amount of relevant loans and advances for management discussion and analysis purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the reviewed financial information of the Group.



Company Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank)
Legal representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong PENG Yanxi
Secretary to the Board	PENG Yanxi
Joint Company Secretaries	PENG Yanxi YUNG Mei Yee
Registered address and postcode	No. 10 East Yanghe Road, Jiangbei District, Chongqing, The PRC 400020
Principal place of business in Hong Kong	8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, 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
Registration number of corporate legal person business licence	500000000001239

Code of organisational structure	67612972-8
Financial licence institution number	The Bank holds a financial licence number B0335H250000001 approved by CBRC
Taxation registration number	Yu Guo Shui Zi (渝國稅字) No. 500105676129728 Yu Di Shui Zi (渝地稅字) No. 500105676129728
Auditors	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, PRC
Legal advisor as to the PRC laws	Chongqing Jingsheng Law Firm ABC, 16th Floor, Peninsula International Business Tower (半島國際商務大廈), 50 Zou Rong Road, Yuzhong District, Chongqing City, the PRC
Legal advisor as to Hong Kong laws	Morrison & Foerster 33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. No. 17 Taipingqiao Avenue, Xicheng District, Beijing, PRC



Management Discussion and Analysis

FINANCIAL REVIEW

In the first half of 2014, the global economy continued to recover and grow, the U.S. economy demonstrated a revival and good trend, and it will be the key to drive the global economy. The negative impact brought by the European debt crisis gradually waned; the growth of the Japanese economy exceeded market expectation in the first quarter, which brought positive momentum to the global economy. The growth of emerging economies slowed down as compared with the performance of developed economies.

Under the complex environment at home and abroad, the Party's Central Committee and the State Council firmly grasped the initiative for development, boosted steady growth, promoted reform, adjusted structures and benefited the livelihood of people through scientific co-ordination and planning, emphasised on gaining momentum from reform and innovation and gaining assistance from structural adjustment, made use of the market force and focused on target approach in adjustment. The national economy achieved progress in a steady manner. The structural adjustment was stable with progress, while the progress of upgrade and transformation was sound. In the first half of the year, the gross domestic product (GDP) amounted to RMB26,904.4 billion, representing a year-on-year increase of 7.4%. The GDP in the first quarter and the GDP in the second quarter increased by 7.4% and 7.5% respectively as compared with the same period of the previous year. Industrial added value of above-scale throughout the country achieved a year-on-year increase of 8.8%, the growth rate increased by 0.1 percentage point compared with that of the first quarter. The fixed assets investment reached RMB21,277.0 billion, a year-on-year increase of 17.3%. The growth rate was 0.3 percentage point lower than that of the first quarter. The growth of currency and credit increased steadily. As at the end of June, outstanding broad money (M2) reached RMB120.96 trillion, up 14.7% year-on-year; outstanding narrow money (M1) reached RMB34.15 trillion, up 8.9%. As at the end of June, the balance of RMB-denominated loans amounted to RMB77.63 trillion. New RMB-denominated loans amounted to RMB5.74 trillion, representing a year-on-year increase of RMB659.0 billion. The balance of RMB deposits amounted to RMB113.61 trillion. New RMB-denominated deposits amounted to RMB9.23 trillion, representing a year-on-year increase of RMB135.4 billion.

In the first half of 2014, Chongqing Municipal Government insisted on the keynote of seeking progress while maintaining stability based on the actual situation of Chongqing, strongly implemented the development strategy of five functional areas, enhanced the economic operation and risk control, and thus achieved a sound development of the municipal economy with progress while maintaining stability. In the first half of the year, the gross regional product (GRP) of Chongqing reached RMB644.051 billion, representing a year-on-year increase of 10.9%, the growth rate of which ranked the first in the country. The fixed assets investment reached RMB535.912 billion, representing a year-on-year increase of 18.3%. Foreign trade maintained a relatively fast growth, with the total exports and imports reaching US\$267.489 billion in the first half of the year, representing a year-on-year increase of 41.8%, which was 42.7 percentage points higher than the national average level.

I. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Change in amount	Change (%)
Net interest income	8,850.7	7,592.5	1,258.2	16.57
Net fee and commission income	397.8	303.0	94.8	31.29
Net trading gain	205.8	38.2	167.6	438.74
Share of profit of an associate	2.0	—	2.0	100.00
Other operating income (losses), net	24.6	29.6	(5.0)	(16.89)
Operating income	9,480.9	7,963.3	1,517.6	19.06
Operating expenses	(3,788.6)	(3,260.5)	(528.1)	16.20
Impairment on assets	(920.2)	(463.7)	(456.5)	98.45
Net profit or loss on disposal of available-for-sale financial assets	0.8	(0.01)	0.81	(8,100.00)
Profit before tax	4,772.9	4,239.1	533.8	12.59
Income tax expense	(1,171.2)	(1,019.4)	(151.8)	14.89
Net profit	3,601.7	3,219.7	382.0	11.86

In the first half of 2014, the Group recorded profit before tax of RMB4,773 million, representing a year-on-year increase of 12.59% and net profit of RMB3,602 million, representing a year-on-year increase of 11.86%. Profit before tax and net profit achieved faster growth year-on-year, which was primarily due to a year-on-year increase of RMB1,258 million, or 16.57% of net interest income, resulting from a steady growth of interest-earning assets.

(I) *Net Interest Income*

In the first half of 2014, the Group recorded a net interest income of RMB8,851 million, representing a year-on-year increase of RMB1,258 million, or 16.57%, including an increase of RMB1,329 million in net interest income arising from changes in average balance of various assets and liabilities, and a decrease of RMB71 million in net interest income attributable to the change of interest rate of the Group under the impact of accelerated pace of interest rate liberalisation and squeezed interest spread. Net interest income accounted for 93.35% of the total operating income of the Group.

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

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Change in amount	Change (%)
(Expressed in RMB million, unless otherwise stated)				
Interest income	15,939.2	12,902.8	3,036.4	23.53
Interest expense	(7,088.5)	(5,310.3)	(1,778.2)	33.49
Net interest income	8,850.7	7,592.5	1,258.2	16.57

The table below sets forth, for the periods indicated, the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or interest expense and the average yield (for assets) or average cost rate (for liabilities). The analysis below excludes the impact of capital-preserved type of customer-driven wealth management products and consolidated non-capital-preserved type of customer-driven wealth management products on the interest income, interest expense and average balances.

	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
		Interest	Annualised		Interest	Annualised
(Expressed in RMB million, unless otherwise stated)	Average balance	income/expense	average yield/cost rate (%)	Average balance	income/expense	average yield/cost rate (%)
Assets						
Loans and advances to customers	215,332.9	7,701.4	7.15	182,145.8	6,534.6	7.18
Debt securities investments	111,958.8	3,344.7	5.97	101,057.9	2,937.6	5.81
Balances with central bank	71,462.0	563.4	1.58	61,941.1	483.9	1.56
Due from banks and other financial institutions	124,373.0	4,023.1	6.47	102,657.2	2,946.7	5.74
Total interest-earning assets	523,126.7⁽¹⁾	15,632.6⁽¹⁾	5.98	447,802.0	12,902.8	5.76
Liabilities						
Due to customers	377,307.9	3,954.4	2.10	322,004.5	3,237.1	2.01
Borrowings from central bank	357.5	6.4	3.58	107.1	1.5	2.80
Due to banks and other financial institutions	100,335.2	2,750.8	5.48	86,826.4	2,008.5	4.63
Subordinated bonds	2,382.9	70.3	5.90	2,300.0	63.2	5.50
Total interest-bearing liabilities	480,383.5⁽¹⁾	6,781.9⁽¹⁾	2.82	411,238.0	5,310.3	2.58
Net interest income		8,850.7			7,592.5	
Net interest spread			3.16			3.18
Net interest margin			3.38			3.39

Note:

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

In 2014, the Group actively responded to great pressure on the net interest spread brought by the fastened pace of liberalisation of interest rate and prosperous development of internet finance, actively improved the deposit and loan pricing models, continuously enhanced the individual pricing ability and increased the efficiency for the use of surplus funds. The Group maintained a relatively stable net interest margin and net interest spread, with a net interest spread of 3.16% and net interest margin of 3.38%, slightly decreased by 2 basis points and 1 basis point respectively compared with the same period last year.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in interest income/ expense
Assets			
Loans and advances			
to customers	1,186.4	(19.6)	1,166.8
Debt securities investments	325.4	81.7	407.1
Balances with central bank	75.2	4.3	79.5
Due from banks and other financial institutions	702.5	373.9	1,076.4
Changes in interest income	<u>2,289.5</u>	<u>440.3</u>	<u>2,729.8</u>
Liabilities			
Due to customers	580.7	136.6	717.3
Due to central bank, banks and other financial institutions	377.0	370.2	747.2
Subordinated bonds	2.4	4.7	7.1
Changes in interest expense	<u>960.1</u>	<u>511.5</u>	<u>1,471.6</u>

1. Interest Income

In the first half of 2014, the Group recorded interest income of RMB15,939 million, representing a year-on-year increase of RMB3,036 million or 23.53%. The analysis below excludes the interest income of capital-preserved type of customer-driven wealth management products and consolidated non-capital-preserved type of customer-driven wealth management products.

(1) Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	125,463.1	4,421.1	7.05	110,437.8	3,951.1	7.16
Retail loans	86,588.3	3,172.4	7.33	65,504.9	2,397.5	7.32
Discounted bills	3,281.5	107.9	6.58	6,203.1	186.0	6.00
Total loans and advances to customers	215,332.9	7,701.4	7.15	182,145.8	6,534.6	7.18

Interest income from loans and advances to customers amounted to RMB7,701 million, representing a year-on-year increase of RMB1,167 million or 17.86%, primarily due to the increase in average balance of loans and advances to customers.

(2) Interest Income from Debt Securities Investments

In the first half of 2014, interest income from debt securities investments of the Group amounted to RMB3,345 million, representing a year-on-year increase of RMB407 million or 13.86%, primarily owing to the rise in both the average balance and average yield of debt securities investments.

(3) Interest Income from Balances with Central Bank

In the first half of 2014, the Group's interest income from balances with central bank amounted to RMB563 million, representing a year-on-year increase of RMB80 million or 16.43%, which was primarily due to a year-on-year increase of 15.37% in average balance of balances with central bank, following the increase in due to customers.

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

The average balance, interest income and annualised average yield for each component from 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 2014			For the six months ended 30 June 2013		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	49,643.1	1,484.7	5.98	44,047.7	1,146.1	5.20
Financial assets held under resale agreements	74,729.9	2,538.4	6.79	58,609.5	1,800.6	6.14
Total due from banks and other financial institutions	124,373.0	4,023.1	6.47	102,657.2	2,946.7	5.74

In the first half of 2014, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB1,485 million, representing a year-on-year increase of RMB339 million, or 29.54%, which was primarily due to the increase of 12.70% in average balance of interbank funds, resulting from the improved efficiency in surplus fund usage. The average yield had a year-on-year increase of 78 basis points.

In the first half of 2014, the interest income from financial assets held under resale agreements of the Group amounted to RMB2,538 million, representing an increase of RMB738 million, or 40.98% over the same period of the previous year. This was primarily due to the increase in average balance and average yield of financial assets held under resale agreements compared with the same period of the previous year.

2. Interest Expense

In the first half of 2014, interest expense of the Group amounted to RMB7,088 million, representing an increase of RMB1,778 million, or 33.49% over the same period of the previous year. The analysis below excludes the interest expense of capital-preserved type of customer-driven wealth management products and consolidated non-capital-preserved type of customer-driven wealth management products.

(1) Interest Expense on Due to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Corporate deposits						
Demand	69,360.9	225.6	0.65	58,346.3	133.5	0.46
Time	26,358.6	400.3	3.04	26,727.2	357.8	2.68
Subtotal	95,719.5	625.9	1.31	85,073.5	491.3	1.16
Retail deposits						
Demand	80,694.9	156.2	0.39	68,823.5	135.0	0.39
Time	200,893.5	3,172.3	3.16	168,107.5	2,610.8	3.11
Subtotal	281,588.4	3,328.5	2.36	236,931.0	2,745.8	2.32
Total due to customers	377,307.9	3,954.4	2.10	322,004.5	3,237.1	2.01

In the first half of 2014, interest expense on due to customers of the Group amounted to RMB3,954 million, representing a year-on-year increase of RMB717 million, or 22.16%, which was primarily due to the situation that the average balance of customers increased by 17.17% over the same period of the previous year. As the progress of the liberalisation of interest rate accelerated, the interest rate of deposits generally increased, the annualised average cost rate of due to customers year-on-year increased by 9 basis points to 2.10%.

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

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
	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	53,800.0	1,502.1	5.58	44,466.7	1,114.1	5.01
Financial assets sold under repurchase agreements	46,535.2	1,248.7	5.37	42,359.7	894.4	4.22
Total due to banks and other financial institutions	100,335.2	2,750.8	5.48	86,826.4	2,008.5	4.63

In the first half of 2014, the Group's interest expense on deposits and placements from banks amounted to RMB1,502 million, representing a year-on-year increase of RMB388 million, or 34.83%, which was primarily due to the year-on-year increase in the average balance and annualised average cost rate of deposits and placements from banks and other financial institutions.

In the first half of 2014, the interest expense on financial assets sold under repurchase agreements amounted to RMB1,249 million, representing a year-on-year increase of RMB354 million or 39.61%, which was primarily due to the year-on-year increase in the average balance and annualised average cost rate of financial assets sold under repurchase agreements.

3. Net Interest Spread and Net Interest Margin

In the first half of 2014, the Group posted a net interest spread of 3.16%, representing a year-on-year decrease of 2 basis points. The decrease in net interest spread reflected the lower year-on-year increase in the annualised average yield of interest-earning assets compared with the year-on-year increase in the annualised average cost rate of interest-bearing liabilities.

In the first half of 2014, the net interest margin was 3.38%, representing a year-on-year decrease of 1 basis point.

(II) Non-interest Income

1. Net Fee and Commission Income

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Change in amount	Change (%)
Fee and commission income	424.9	327.0	97.9	29.94
Settlement and clearing fees	29.2	26.4	2.8	10.61
Bank card fees	96.7	80.0	16.7	20.88
Agency and other fiduciary service fees	92.2	78.7	13.5	17.15
Consultancy and advisory fees	202.6	138.9	63.7	45.86
Others	4.2	3.0	1.2	40.00
Fee and commission expense	(27.1)	(24.0)	(3.1)	12.92
Net fee and commission income	397.8	303.0	94.8	31.29

In the first half of 2014, the net fee and commission income amounted to RMB398 million, representing an increase of RMB95 million or 31.29% over the same period of the previous year, and its proportion to operating income increased by 0.40 percentage point over the same period of the previous year, to 4.20%, primarily attributable to the faster growth in fees and commissions of wealth management business, bank card business and agency business.

Settlement and clearing fees amounted to RMB29 million, representing an increase of RMB3 million or 10.61% over the same period of the previous year. Among them, the emerging international settlement business continuously expanded and settlement fees increased by 195.00% over the same period of the previous year.

Bank card fees amounted to RMB97 million, representing an increase of RMB17 million, or 20.88% over the same period of the previous year, which was primarily attributable to the enhancement of product innovation and marketing, steady growth of credit card issuing volume as well as the amount of spending, which resulted in the higher profitability of the business.

Agency and other fiduciary service fees amounted to RMB92 million, representing an increase of RMB14 million or 17.15% over the same period of the previous year, primarily attributable to a year-on-year increase in fees of the agency and fiduciary business.

Consultancy and advisory fees amounted to RMB203 million, representing an increase of RMB64 million or 45.86% over the same period of the previous year, which was primarily attributable to the growth in wealth management business over the same period of the previous year.

2. Net Trading Gain

Net trading gain primarily comprises changes in the fair value of held-for-trading debt securities and profit or loss arising from trading. In the first half of 2014, the Group's net trading gain amounted to RMB206 million, representing an increase of RMB168 million or 438.74% over the same period of the previous year, which was primarily attributable to the continuous influence of the fluctuation of market price last year, which resulted in the increase in the fair value of debt securities held for trading this year.

3. Other Operating Income, Net

In the first half of 2014, other operating income, net, amounted to RMB25 million, representing a decrease of RMB5 million, or 16.89% over the same period of the previous year.

(III) Operating Expenses

In the first half of 2014, the operating expenses of the Group amounted to RMB3,789 million, representing an increase of RMB528 million, or 16.20% over the same period of the previous year.

(Expressed in RMB million, unless otherwise stated)	For the Six months ended 30 June 2014	For the Six months ended 30 June 2013	Change in amount	Change (%)
Staff costs	2,275.9	2,006.9	269.0	13.40
Business tax and surcharges	624.4	503.9	120.5	23.91
Depreciation and amortisation	270.7	225.4	45.3	20.10
Others	617.6	524.3	93.3	17.80
Total operating expenses	3,788.6	3,260.5	528.1	16.20

1. Staff Costs

Staff costs is the largest component of operating expenses of the Group, accounting for 60.07% and 61.55% of its total operating expenses for the six months ended 30 June 2014 and 30 June 2013 respectively.

(Expressed in RMB million, unless otherwise stated)	For the Six months ended 30 June 2014	For the Six months ended 30 June 2013	Change in amount	Change (%)
Salaries, bonuses and allowances	1,588.7	1,436.3	152.4	10.61
Staff welfare, social insurance and housing funds	532.3	385.8	146.5	37.97
Others	154.9	184.8	(29.9)	(16.18)
Total staff costs	2,275.9	2,006.9	269.0	13.40

In the first half of 2014, staff costs of the Group amounted to RMB2,276 million, representing an increase of RMB269 million or 13.40% over the same period of the previous year, which was primarily attributable to organic growth in the number of staff and average salaries in the society. Staff welfare and insurance and housing fund increased by RMB147 million or 37.97% over the same period of the previous year.

2. Business Tax and Surcharges

Business tax and surcharges mainly relate to revenue generated from lending (interest income), transfer of securities and provision of other financial products and services. In the first half of 2014, business tax and surcharges amounted to RMB624 million, representing an increase of RMB121 million, or 23.91% over the same period of the previous year, which was primarily attributable to an increase in interest income and no exemption from business tax of the interest income of small-amount loans to farmers this year.

3. Depreciation and Amortisation

In the first half of 2014, depreciation and amortisation of the Group was RMB271 million, representing an increase of RMB45 million, or 20.10% over the same period of the previous year, which was primarily due to more investment put in properties, electronic equipment and machinery equipment in support of business development.

4. Others

For the six months ended 30 June 2014, other expenses increased by 17.80% to RMB618 million, compared to RMB524 million for the same period of the previous year, primarily due to business expansion.

(IV) *Impairment on Assets*

Impairment on assets consists primarily of provisions for loans and advances to customers and other assets. The expenses of provisions for impairment on assets were RMB920 million for the six months ended 30 June 2014, representing an increase of RMB457 million or 98.45% over the same period of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	For the	For the	Change in	
	Six months ended 30 June 2014	Six months ended 30 June 2013	amount	Change (%)
Loans and advances to customers	873.2	460.3	412.9	89.70
Other assets	47.0	3.4	43.6	1,282.35
Total impairment on assets	920.2	463.7	456.5	98.45

In the first half of 2014, provisions for impairment on loans and advances to customers were RMB873 million, representing an increase of RMB413 million over the same period of the previous year, primarily due to an increase in loans and a strengthened portfolio of provisions for loans as the Group fully took into account of the uncertainties in the macro economy.

In the first half of 2014, provisions for impairment on other assets were RMB47 million, representing an increase of RMB44 million over the same period of the previous year, primarily attributable to prudent operation of the Group, for which it increased the provision of allowances for debt securities and wealth management products considering the macro environment and industrial risks.

(V) *Income Tax Expense*

In the first half of 2014, income tax expense amounted to RMB1,171 million, representing an increase of RMB152 million over the same period of the previous year. The effective tax rate was 24.54%, which was lower than the statutory tax rate due to the fact that the interest income from government bonds held by the Group was tax-free pursuant to tax regulations; the effective tax rate increased by 0.49 percentage point over the same period of the previous year, primarily due to a decrease in the interest income from government bonds and no exemption from business tax of the interest income of small-amount loans to farmers this year.

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 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Loans and advances				
to customers, gross ⁽¹⁾	226,644.8	38.12	205,252.5	40.85
Allowances for impairment				
on loans and advances				
to customers ⁽¹⁾	(8,055.8)	(1.35)	(7,101.9)	(1.41)
Loans and advances				
to customers, net	218,589.0	36.77	198,150.6	39.44
Investment securities ⁽²⁾	102,421.0	17.23	84,165.2	16.75
Investments in associates	102.3	0.02	100.3	0.02
Cash and balances with				
central bank	78,893.7	13.27	68,782.1	13.69
Deposits with banks and				
other financial institutions	20,051.0	3.37	23,655.9	4.71
Placements with banks and				
other financial institutions	69,423.8	11.68	25,056.3	4.99
Financial assets held under				
resale agreements	69,285.5	11.65	70,828.9	14.10
Financial assets held for trading	1,863.4	0.31	2,691.0	0.54
Financial assets designated as				
at fair value through				
profit or loss	22,922.1	3.86	19,127.5	3.81
Goodwill	440.1	0.07	440.1	0.09
Other assets ⁽³⁾	10,489.1	1.77	9,448.1	1.86
Total assets	594,481.0	100.00	502,446.0	100.00

Notes:

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

As at 30 June 2014, the Group's total assets amounted to RMB594,481 million, representing an increase of RMB92,035 million, or 18.32% as compared to the end of the previous year. Among which:

The amount of gross loans and advances to customers increased by RMB21,392 million, or 10.42% as compared to the end of the previous year. This was primarily due to the fact that the Group increased loans to prime projects and key customers under effective risk control, further optimised the industry structure, reasonably allocated credit resources, focused on supporting the real economy including the loans for "Sannong" (三農) and small and micro enterprises, and strictly controlled the industries with excess capacity and "high pollution, high energy consumption and excess capacity" (兩高一剩);

Investment securities increased by RMB18,256 million or 21.69% as compared to the end of the previous year, primarily due to adjustment of the investment structure and proactive increase in the holdings of corporate bonds and financial institutional bonds with higher yield;

Cash and balances with central bank increased by RMB10,112 million, or 14.70% 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 RMB40,763 million or 83.68%, whilst the proportion to total assets increased by 5.35 percentage points 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;

Financial assets held under resale agreements decreased by RMB1,543 million or 2.18% as compared to the end of the previous year. This was mainly due to the decrease in the business of beneficial rights of assets management plans of security companies.

1. Loans and Advances to Customers (Contractual Amount)

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Corporate loans	131,197.1	57.89	118,816.6	57.89
Short-term loans ⁽¹⁾	51,827.1	22.87	36,901.9	17.98
Medium-and long-term loans ⁽²⁾	79,370.0	35.02	81,914.7	39.91
Retail loans	91,004.5	40.15	84,927.8	41.38
Residential mortgage and personal commercial property loans ⁽³⁾	45,729.1	20.17	46,279.7	22.55
Personal business and re-employment loans ⁽⁴⁾	33,289.0	14.69	28,854.7	14.06
Others ⁽⁵⁾	11,986.4	5.29	9,793.4	4.77
Discounted bills	4,443.2	1.96	1,508.1	0.73
Loans and advances to customers, gross	226,644.8	100.00	205,252.5	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 retail customers to acquire property for small business purposes, such as store premises.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and employment and re-employment related small amount loans.
- (5) 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 2014, the amount of gross loans and advances to customers of the Group increased by RMB21,392 million, or 10.42%, to RMB226,645 million as compared to the end of the previous year.

Corporate loans (excluding discounted bills) increased by RMB12,381 million, or 10.42%, to RMB131,197 million as compared to the end of the previous year. Among these loans, short-term loans amounted to RMB51,827 million, representing an increase of RMB14,925 million or 40.45% as compared to the end of the previous year, while corporate loans were 8.44 percentage points higher than that of the end of the previous year. During the period, the Group actively adjusted the credit structure in support of the State's industrial policy, and focused on real economic development. As at 30 June 2014, loans to manufacturing industry, the whole sale and retail industry increased by RMB5,022 million and RMB3,340 million respectively as compared to the end of the previous year, the total of which accounted for 67.54% of additional corporate loans.

The Group also accelerated credit structural adjustment, avoided credit risk, as well as proactively supported the real economy while strengthening the quotas management for government financing platforms and the real estate industry by looking closely into the general direction and development trend of the industry whilst diligently adopting differentiation-oriented plans based on different regions, customers and industries under the strategy of "Controlling total loans, advancing the superior while exiting the inferior and adjusting the structure" (「總量控制、有進有退、調整結構」). In particular, the proportion of balance of loans to the real estate industry to corporate loans decreased by 1.42 percentage points as compared to the end of the previous year.

Retail loans increased by RMB6,077 million, or 7.16%, to RMB91,005 million as compared to the end of the previous year. Among which, personal business and re-employment loans increased by RMB4,434 million or 15.37% as compared to the end of the previous year; the residential mortgage and personal commercial property loans, decreased by RMB551 million, or 1.19% as compared to the end of the previous year; and other loans increased by RMB2,193 million, or 22.39% as compared to the end of the previous year. Confronted with complicated market changes, the Group took active measures to avoid systemic risks in markets, and stressed on meeting credit needs of premium personal customers.

Discounted bills increased by RMB2,935 million, or 194.62%, to RMB4,443 million as compared to the end of the previous year, largely due to the increase in the discounted bills of counter-parties with high credit ratings.

Distribution of Loans and Advances by Type of Collateral (Contractual Amount)

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Unsecured loans	19,272.9	8.50	18,058.6	8.80
Guaranteed loans	40,110.5	17.70	38,263.0	18.64
Collateralised loans	143,360.9	63.25	134,483.5	65.52
Pledged loans	23,900.5	10.55	14,447.4	7.04
Loans and advances to customers, gross	226,644.8	100.00	205,252.5	100.00

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

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

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment 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 2014	6,156.4	554.6	390.9	7,101.9
Charge for the period	2,342.8	141.6	293.2	2,777.6
Reverse for the period	(1,666.0)	(205.3)	(33.1)	(1,904.4)
Recovery of loans and advances previously written off	—	90.4	25.5	115.9
Unwinding of discount on allowance	—	(10.3)	(24.9)	(35.2)
The balance as at 30 June 2014	<u>6,833.2</u>	<u>571.0</u>	<u>651.6</u>	<u>8,055.8</u>

Notes:

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

In the first half of 2014, the Group adhered to its prudent principle persistently and was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully considering external economic dynamics and macro monitoring policies. As at 30 June 2014, balance of allowances for impairment on loans and advances to customers increased by RMB954 million to RMB8,056 million over the end of the previous year. The allowance for non-performing loans coverage was 418.72%, representing a decrease of 11.88 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 the Group's investments.

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Financial assets held for trading	1,863.4	1.46	2,691.0	2.54
Financial assets designated as at fair value through profit or loss	22,922.1	18.02	19,127.5	18.05
Available-for-sale financial assets	10,851.1	8.53	5,168.3	4.88
Held-to-maturity investments	57,089.7	44.88	50,251.5	47.41
Debt securities classified as receivables	34,480.2	27.11	28,745.4	27.12
Total investment	127,206.5	100.00	105,983.7	100.00

As at 30 June 2014, total investments increased by RMB21,223 million to RMB127,207 million as compared to the end of the previous year, among which, financial assets held for trading decreased by RMB828 million to RMB1,863 million as compared to the end of the previous year, which was mainly attributable to strict control of transaction risks, timely adjustment of investment structure and reduction of the investment in debt securities held for trading, taking into account the influence of the fluctuation in market capital last year and greater fluctuation of the prices of debt securities. Financial assets designated as at fair value through profit or loss of the period increased by RMB3,795 million or 19.84% as compared to the end of the previous year, primarily due to the use of surplus funds in multiple channels and the increase in holdings of wealth management products with higher yield by the Group to timely seize market opportunities. Available-for-sale financial assets increased by RMB5,683 million as compared to the end of previous year, primarily due to increase in holdings of corporate bonds with controllable risk and higher yield. Held-to-maturity investments increased by RMB6,838 million as compared to the end of previous year, primarily due to the increase in investment of bonds and adjustment of the term portfolio of bonds, and active increase in the holdings of corporate bonds with higher yield with overall consideration on yields and risks. Debt securities classified as receivables increased by RMB5,735 million as compared to the end of the previous year, primarily due to adjustment in investment structure upon the maturity of certain wealth management products and increase in the holdings of bond products with higher yield.

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 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Government bonds	7,648.0	6.02	8,119.1	7.67
Public sector, quasi- government bond	22,256.7	17.51	24,720.5	23.34
Financial institution bonds	6,698.7	5.27	4,931.1	4.66
Corporate bonds	44,114.8	34.70	23,212.8	21.92
Debt instruments issued by financial institutions	46,422.9	36.50	44,928.0	42.41
Total	127,141.1	100.00	105,911.5	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 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Due to customers	395,088.2	71.10	347,883.4	74.72
Deposits and placements from banks and borrowings from central bank	94,527.0	17.01	66,529.9	14.29
Financial assets sold under repurchase agreements	46,194.6	8.31	37,240.6	8.00
Debt securities issued	7,300.0	1.31	2,300.0	0.49
Other liabilities ⁽¹⁾	12,536.7	2.27	11,602.8	2.50
Total liabilities	555,646.5	100.00	465,556.7	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 2014, total liabilities increased by RMB90,090 million, or 19.35%, to RMB555,647 million as compared to the end of the previous year. Due to customers are the Group's largest source of capital, which grew by RMB47,205 million or 13.57% as compared to the end of the previous year. Deposits and placements from banks and borrowings from central bank and financial assets sold under repurchase agreements increased by RMB36,951 million or 35.61% over the end of the previous year.

1. Due to Customers

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Corporate deposits	96,285.6	24.37	84,231.6	24.21
Demand deposits	75,507.5	19.11	71,788.8	20.63
Time deposits	20,778.1	5.26	12,442.8	3.58
Retail deposits	289,525.1	73.28	258,640.2	74.35
Demand deposits	76,318.5	19.32	71,691.5	20.61
Time deposits	213,206.6	53.96	186,948.7	53.74
Pledged deposits	9,184.8	2.32	4,923.5	1.42
Other deposits	92.7	0.03	88.1	0.02
Total due to customers	395,088.2	100.00	347,883.4	100.0

As at 30 June 2014, due to customers increased by RMB47,205 million or 13.57% to RMB395,088 million as compared to the end of the previous year. Corporate deposits increased by RMB12,054 million or 14.31% as compared to the end of the previous year, the proportion of corporation deposits to total due to customers increased by 0.16 percentage point to 24.37% as compared to the end of the previous year. Time deposits recorded at RMB233,985 million, representing an increase of RMB34,593 million or 17.35% as compared to the end of the previous year. The proportion of demand deposits in total due to customers increased by 1.90 percentage points to 59.22% as compared to the end of the previous year, primarily due to the fact that customers shifted to time deposit in order to obtain higher yields.

2. Subordinated Bonds

As at 30 June 2014, the Group issued bonds amounting to RMB7,300 million, representing an increase of RMB5,000 million as compared to the end of the previous year, primarily due to the issuance of tier 2 capital bonds this year for replenishing tier 2 capital.

(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 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Share capital	9,300.0	23.95	9,300.0	25.21
Capital reserve	9,202.0	23.70	9,201.9	24.94
Investment revaluation reserve	12.9	0.03	(136.0)	(0.37)
Actuarial changes reserve	5.1	0.01	43.5	0.12
Surplus reserve	6,394.5	16.47	6,394.5	17.33
General reserve	6,371.2	16.40	5,497.3	14.90
Retained earnings	6,900.2	17.77	5,950.2	16.14
Equity attributable to equity holders of the Bank	38,185.9	98.33	36,251.4	98.27
Non-controlling interests	648.6	1.67	637.9	1.73
Total equity	38,834.5	100.00	36,889.3	100.00

As at 30 June 2014, paid-in capital recorded RMB9,300 million. Capital reserve reached RMB9,202 million. General reserve increased by RMB874 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.

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 2014		As at 31 December 2013	
	Amount	% of Total	Amount	% of Total
Normal	218,839.8	96.56	198,350.8	96.64
Special mention	5,881.1	2.59	5,252.4	2.56
Substandard	1,042.5	0.46	811.8	0.40
Doubtful	881.4	0.39	837.5	0.40
Loss	—	—	—	—
Total loans and advances to customers	226,644.8	100.00	205,252.5	100.00
Amount of non-performing loans	1,923.9		1,649.3	
Non-performing loan ratio (%)		0.85		0.80

Amid the deceleration in the growth of macro economy and the intensified pressure on asset quality in the banking industry in the first half of 2014, the Group adhered to a strict approach to risk limitation, and actively prevented and mitigated risks. The quality of loans was generally stable. As at 30 June 2014, the balance of non-performing loans increased by RMB275 million from the end of the previous year to RMB1,924 million; while the non-performing loan ratio was 0.85% or 0.05 percent point higher than that of the end of the previous year. The portion of special mention loans accounted for 2.59%, representing an increase of 0.03 percentage point respectively 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 2014				As at 31 December 2013			
	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	131,197.1	57.89	1,182.8	0.90	118,816.6	57.89	959.9	0.81
Manufacturing	40,771.2	17.99	770.8	1.89	35,749.7	17.42	251.9	0.70
Production and supply of electricity, gas and water	8,981.0	3.96	21.9	0.24	6,890.4	3.36	26.8	0.39
Real estate	13,485.1	5.95	38.0	0.28	13,897.2	6.77	43.8	0.32
Leasing and commercial services	4,568.6	2.02	—	—	3,744.7	1.82	5.8	0.15
Water, environment and public utilities management	19,742.8	8.71	—	—	22,453.5	10.94	—	—
Construction	7,980.4	3.52	17.2	0.22	6,803.2	3.31	22.5	0.33
Retail and wholesale	12,617.5	5.57	50.8	0.40	9,277.5	4.52	22.8	0.25
Others	23,050.5	10.17	284.1	1.23	20,000.4	9.75	586.3	2.93
Personal Loans	91,004.5	40.15	741.1	0.81	84,927.8	41.38	689.4	0.81
Discounted bills	4,443.2	1.96	—	—	1,508.1	0.73	—	—
Total	226,644.8	100.00	1,923.9	0.85	205,252.5	100.00	1,649.3	0.80

In the first half of 2014, to cope with the tumultuous and ever-changing external economic conditions, the Group continued to optimise its industry-specific lending and exit criteria for customers and further refined the management of industry quotas. With stringent execution of relevant PRC control policies, loan balance of the real estate industry, the amount of non-performing loans and non-performing loan ratios continued to trend downwards. The loan balance, amount of non-performing loans and non-performing loan ratios decreased by RMB412 million, RMB5.8 million and 0.04 percentage point respectively as compared with the end of the previous year.

2. Concentration of Borrowers

In the first half of 2014, the Group's total loans to its largest single borrower accounted for 5.87% of its net capital while total loans to its top ten clients accounted for 34.51% of its net capital, both were in compliance with regulatory requirements. As at 30 June 2014, 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 2014	As at 31 December 2013	As at 31 December 2012
Loan ratio for the largest single borrower (%)	≤10%	5.87	5.72	6.27
Loan ratio for a single group borrower (%)	≤15%	8.35	6.91	7.10

(2) Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)		As at 30 June 2014	
Industry		Amount	Percentage of the total amount of loans (%)
Borrower A	Water, environmental and public utility management	2,894.13	1.28
Borrower B	Water, environmental and public utility management	2,353.00	1.04
Borrower C	Manufacturing	1,949.70	0.86
Borrower D	Real Estate	1,800.00	0.79
Borrower E	Real Estate	1,525.00	0.67
Borrower F	Production and supply of electricity, heat, gas and water	1,400.00	0.62
Borrower G	Construction	1,350.00	0.60
Borrower H	Manufacturing	1,270.07	0.56
Borrower I	Water, environmental and public utility management	1,245.00	0.55
Borrower J	Water, environmental and public utility management	1,231.00	0.54

(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 2014			As at 31 December 2013		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	131,197.1	1,182.8	0.90	118,816.6	959.9	0.81
Short-term loans	51,827.1	241.7	0.47	36,901.9	272.0	0.74
Medium- and long-term loans	79,370.0	941.1	1.19	81,914.7	687.9	0.84
Retail Loans	91,004.5	741.1	0.81	84,927.8	689.4	0.81
Personal property loans	45,729.1	95.9	0.21	46,279.7	71.8	0.16
Personal business loans	33,289.0	253.4	0.76	28,854.7	226.4	0.78
Others	11,986.4	391.8	3.27	9,793.4	391.2	3.99
Discounted bills	4,443.2	—	—	1,508.1	—	—
Total	226,644.8	1,923.9	0.85	205,252.5	1,649.3	0.80

As at 30 June 2014, non-performing ratio of corporate loans increased by 0.09 percentage point to 0.90% as compared with the end of the previous year, whereas non-performing ratio of retail loans levelled off with that at 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 2014		As at 31 December 2013	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Rescheduled loans and advances to customers	115.0	0.05	146.9	0.07

(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 2014		As at 31 December 2013	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Past due within 3 months	2,664.1	1.17	1,544.3	0.75
Past due for 3 months to 1 year	534.7	0.24	197.2	0.10
Past due for over 1 year and within 3 years	222.1	0.10	217.5	0.11
Past due for more than 3 years	545.4	0.24	564.0	0.27
Total overdue loans and advances to customers	3,966.3	1.75	2,523.0	1.23

As at 30 June 2014, the total overdue loans and advances amounted to RMB3,966 million, representing an increase of RMB1,443 million from the end of the previous year. Overdue loans and advances accounted for 1.75%, representing an increase of 0.52 percentage point 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)" promulgated by the CBRC, which requires that commercial banks shall measure and disclose capital adequacy ratio in accordance with both "Regulation Governing Capital Adequacy Ratios of Commercial Banks" and "Regulation Governing Capital of Commercial Banks (Provisional)" during the transitional period for compliance before the end of 2018.

The following table sets forth, for the date indicated, the relevant information of the Group's capital adequacy ratio measured in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)".

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014	As at 31 December 2013
Core tier 1 capital adequacy ratio (%)	9.80	11.85
Tier 1 capital adequacy ratio (%)	9.80	11.85
Capital adequacy ratio (%)	12.68	13.64
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	9,220.0	9,109.5
Surplus reserve and general risk reserve	12,765.8	11,891.8
Unappropriated profit	6,900.2	5,950.2
Non-controlling interests	417.4	531.0
Total core tier 1 capital	38,603.4	36,782.5
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	(46.9)	(51.2)
Core tier 1 capital, net	38,116.4	36,291.2
Other tier 1 capital:		
Non-controlling interests	5.4	2.8
Net tier 1 capital	38,121.8	36,294.0
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	6,840.0	2,070.0
Excessive loan allowances	4,337.1	3,367.3
Non-controlling interests	16.1	16.7
Net capital	49,315.0	41,748.0
Total risk-weighted assets	389,004.4	306,158.6

The following table sets forth, for the dates indicated, the relevant information of the Group's capital adequacy ratio measured in accordance with "Regulation Governing Capital Adequacy Ratios of Commercial Banks".

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014	As at 31 December 2013
Core capital adequacy ratio (%)	10.37	12.51
Capital adequacy ratio (%)	12.37	13.31
Components of capital base		
Core capital:		
Share capital	9,300.0	9,300.0
Portion of capital reserve that may be included	9,207.0	9,109.5
Surplus reserve and general reserve	12,765.8	11,891.8
Unappropriated profit	6,745.7	4,183.2
Non-controlling interests	648.6	637.9
Total core capital	38,667.1	35,122.4
Deductible items:		
Goodwill	(440.1)	(440.1)
Other deductible items	(90.8)	(86.2)
Net core capital	38,136.2	34,596.1

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014	As at 31 December 2013
Supplementary capital:		
Long-term subordinated bonds	7,300.0	2,300.0
Other supplementary capital	160.9	0.0
Total capital base before deductions	46,128.0	37,422.4
Deductible items:		
Goodwill	(440.1)	(440.1)
Other deductible items	(181.5)	(172.3)
Total capital base after deductions	45,506.4	36,810.0
Risk-weighted assets and market risk capital adjustment	367,780.6	276,656.3

As at 30 June 2014, the capital adequacy ratio of the Group measured in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)” was 12.68%, decreased by 0.96 percentage point as compared with the end of the previous year, which was 2.18 percentage points higher than 10.50%, the regulatory requirement. Both of core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio of the Group were 9.80%, decreased by 2.05 percentage points as compared with the end of the previous year. In the first half of 2014, the decrease in the capital adequacy ratio of the Group was mainly attributable to concentration of high margin products shifted to high risk-weighted assets in capital market after the issue of regulatory policies for standardization of inter-bank market business. The Group took full advantages of capital to make reasonable profit while maintaining risk in an acceptable range, which led to a higher rate of increase in the amount of total risk-weighted assets in the first half of the year.

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. Segment Information

(I) Summary of Geographical Segment

(Expressed in percentage)	As at 30 June 2014		As at 31 December 2013	
	County Area	Urban Area	County Area	Urban Area
Deposits	67.32	32.68	68.01	31.99
Loans	52.67	47.33	52.60	47.40
Assets	45.87	54.13	47.77	52.23
Loan-to-deposit ratio	44.88	83.09	45.63	87.43
Non-performing loan ratio	1.36	0.28	1.30	0.25

(Expressed in percentage)	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.25	1.37	1.34	1.46
Net fee and commission income to operating income	1.95	6.39	2.28	5.37
Cost-to-income ratio	39.87	27.02	40.10	28.97

County Area refers to regions other than urban area of Chongqing City. The information of County Area also includes the information of 10 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. and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司) and 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) 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 2014		For the six months ended 30 June 2013	
	Amount	% of Total	Amount	% of Total
Corporate banking business	3,300.8	34.82	2,862.1	35.94
Retail banking business	2,973.8	31.37	2,428.7	30.50
Treasury operations business	3,182.0	33.56	2,649.7	33.27
Unallocated	24.3	0.25	22.8	0.29
Total operating income	9,480.9	100.00	7,963.3	100.0

VI. 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 deemed as key business segments. As at 30 June 2014, the balances of acceptance and issuance of letters of credit were RMB10,012 million and RMB95 million, respectively.

VII. Significant Accounting Estimates and Judgments

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the reporting period, the Group makes estimates and judgments in certain aspects according to its accounting policies. These estimates and judgments involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices 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 was subject to. The major areas affected by the estimates and judgments include: provisions for 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 2014	For the six months ended 30 June 2013	Change (%)
Net interest income	3,186.2	2,760.4	15.43
Net fee and commission income	114.6	101.7	12.68
Operating income	3,300.8	2,862.1	15.33
Operating expenses	(1,578.0)	(1,489.6)	5.93
Impairment on assets	(696.7)	(426.0)	63.54
Profit before tax	1,026.1	946.5	8.41
	As at 30 June 2014	As at 31 December 2013	Change (%)
Segment assets	129,597.3	116,706.3	11.05

In the first half of 2014, net interest income from the corporate banking business accounted for 36.00% of the Group's net interest income and the total profit before tax from the corporate banking business accounted for 21.50% of the Group's profit before tax.

1. Corporate Deposits

Corporate deposits maintained steady growth. The Group strived to capture the corporate deposits market, thereby maintaining a steady growth in corporate deposits. As at 30 June 2014, the balance of corporate deposits of the Group, including pledged deposits and other deposits, reached RMB105,563 million, which accounted for 26.72% of the balance of deposits of the Group whilst posting a growth of RMB16,320 million or 18.29% over the end of the previous year.

2. Corporate Loans

The Group adopted a prudent and moderate credit policy for corporate loans. On credit extension, it persisted in operating in compliance with laws and abided by the principle of “promoting some loans while curtailing others” (有保有壓). With effective observance of the macro-economic control policy of the country and economic activities in Chongqing, the Group expanded its corporate loan business in a prudent, steady and appropriate manner. As at 30 June 2014, the balance of corporate loans (including discounted bills) amounted to RMB135,640 million, representing an increase of RMB15,316 million or 12.73% over the end of the previous year. The balance of corporate non-performing loans (excluding discounted bills) amounted to RMB1,183 million and the non-performing loan ratio was 0.9%, representing an increase of RMB223 million and 0.09 percentage point as compared with the end of the previous year, respectively.

The structure of credit assets was further optimised. In terms of industry structure, in adherence to the positioning of Chongqing’s five functional areas and based on the expansion and empowerment of Chongqing’s “6+1” pillar industries systems for speeding up the development of Chongqing’s new industrialisation, the Group focused on extending loans to the industries such as manufacturing, water, environment and public utility management, real estate, wholesale and retail industries as well as production and supply of electricity, gas and water, which accounted for 31.08%, 15.05%, 10.28%, 9.62% and 6.85% of the total amount of corporate loans of the Group (including discounted bills), respectively. In terms of its customer profile, the Group emphasized on 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 emphasising consolidation and reinforcement of its partnership with prime SME customers. As at 30 June 2014, the Bank had RMB103,514 million loans outstanding (including discounted bills) from SME customers, accounting for 76.31% of the outstanding balance of total loans.

3. *Corporate Banking Products*

The corporate banking product mix was further optimised. According to the characteristics of the regional economy and major industries, the Bank provided more diversified products to support the marketing based on the needs of business development in the future. While the Bank continued to improve the existing products, it was conducting research and development of “Cash Management Platform”, “Domestic Credit Letter”, “Financing and Leasing Express” and other products, and would successively launch such products. The continuous improvement of the product lines will effectively support the Bank’s corporate banking business.

4. *Channel Construction*

Channel construction continued to be enhanced. The Bank continued to strengthen its cooperation with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. In the first half of the year, the Bank was successively selected as a cooperation bank for providing social security bank IC cards and the first bank to issue resident’s healthcare cards in the whole city. The Bank aligned with the Chongqing Municipal Land Resources and Housing Administrative Bureau’s presale capital management system and reached cooperation intention with Chongqing Industry Equity Guidance Funds. The increasing abundance of each channel will effectively facilitate continuous sustainable healthy development of the Bank’s corporate banking business.

5. *Small and Micro Enterprise Business*

The Bank’s business of providing loans to small and micro enterprises maintained a good growing trend. As at 30 June 2014, the outstanding balance of small enterprise loans of the Bank (including the loans to 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) amounted to RMB71,219 million, representing an increase of RMB11,233 million as compared to the end of the previous year and a growth of RMB6,629 million, or 18.73% as compared to the end of same period of the previous year. The growth rate is 8.31 percentage points higher than the average loan growth rate of the Bank, which reached the “Two Minimum Thresholds” regulatory standard of CBRC.

(1) Specialised Institutions

The Bank further enhanced the financial service for small and micro enterprises, pushed forward the establishment of specialised institutions, and newly established four specialised branches for small and micro enterprises. Based on experiences from the establishment of the existing three specialised branches which was earnestly concluded by the Bank, the Bank selected four branch outlets located in commercial circles, specialised markets, industrial parks, logistics collecting and distributing centres where small and micro enterprise customers gathered, including Yuzhong Shanxi Road branch outlet, Banan Kaien branch outlet, Changshou Taohua New City branch outlet and Hechuan Chengxi branch outlet and upgraded them as specialised branches for small and micro enterprises. The newly established specialised branches have started its trial operation, and three specialised branches, namely Banan Kaien branch outlet, Changshou Taohua New City branch outlet and Hechuan Chengxi branch outlet have obtained official approvals from Chongqing Bureau of CBRC.

(2) Credit Products

“Weak guarantee” product was innovatively introduced. Currently, credit products for small and micro enterprises have gradually switched from traditional mortgage and pledge as well as guarantees of guarantee companies into “weak guarantee” and credit mode. In order to enhance business competitiveness, the Bank worked very hard on “weak guarantee” products and officially launched three products such as “Domestic Invoice Financing Credit for Small Businesses (小企業國內發票融資貸)”, “Order Credit for Small Businesses(小企業訂單貸)” and “Easy Tax Loans for Small Businesses (小企業稅易貸)”, which further enriched product system of “Easy Commercial Loans (商易貸)” for small and micro enterprises.

(3) Customer Manager Team

The Bank adopted a combination of point-to-point featured trainings and specialised trainings to enhance the professional skills of the customer managers of small and micro enterprise. First, point-to-point featured trainings were implemented. The Bank carried out drop-in point-to-point featured trainings for branches with business serving small enterprises, selectively produced training course materials, explained product application, customer marketing and other contents relating to the Bank's businesses of serving small enterprises with adoption of typical examples of the regional branches, so as to enhance serviceability of trainings. Second, specialised trainings were carried out. The Bank gathered management personnel and customer managers of seven specialised branches to conduct trainings to promote products and marketing skills targeting at small enterprises, which further improved professional skills of customer managers of specialised branches. Third, new product trainings were launched. The customer managers were gathered for trainings focusing on features, targeted customers and operating essentials of new products newly introduced by the Bank. In the first half of the year, it organised three point-to-point featured trainings, two specialised trainings and two sessions of trainings for new products, with over 300 persons participated.

6. *International Business*

The international business experienced a rapid growth. In the first half of 2014, the volume of agency foreign exchange settlement and agency sale and purchase of foreign exchange handled by the Bank increased by 179.79% and 123.24% year-on-year to US\$2,118 million and US\$826 million, respectively. Through integrated marketing of domestic currency and foreign currencies, product portfolio promotion, product and service innovation and other means, the Bank continuously increased efforts to marketing and gained a rapid increase in international trade financing business. As at 30 June 2014, the balance of international trade financing and foreign exchange loans reached US\$222 million, representing an increase of 99.53% year-on-year. As the network of correspondent banks further expanded, the Bank has established correspondent banking relationship with 419 well-known banks at home and abroad and obtained overseas credit extension (excluding unpublished part) from 16 banks amounting to US\$427 million, thus providing good capital sources and cooperation channel for capital transaction, trade financing and innovative business. Leveraging on continuous improvement of the product system of the international business, the Bank spared no efforts in product innovation and portfolio innovation and made breakthrough in international Renminbi trade financing, international Renminbi capital fund and other aspects, satisfying clients' diversified needs.

7. *Investment Banking Business*

The Bank maintained sound and steady development in wealth management business. In the first half of 2014, facing the ever-changing market of the wealth management business and frequent promulgation of regulatory policies, the Bank, on the premise of strictly complying with regulatory policies, completed department restructuring pursuant to relevant regulatory requirements while making its best effort to meet the investment demands of customers based on the changes in market to the extent that underlying risks were under control. In the first half of 2014, the Bank designed and issued 508 tranches of wealth management products in total and raised proceeds of RMB98,411 million, 106.64% higher than that for the corresponding period of previous year. The balance of wealth management products amounted to RMB61,384 million, representing an increase of 112.59% as compared to the end of the previous year.

Another breakthrough was made in bonds underwriting business. The Bank (as underwriting consultant) and other banks jointly issued private placement of financial instruments for its key customers, which not only was precious experience to the Bank for obtaining the qualification of bond underwriting but also demonstrated the diversity of financial services provided by the Bank and enhanced the overall finance cooperation with key customers.

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 2014	For the six months ended 30 June 2013	Changes (%)
Net interest income	2,823.0	2,314.7	21.96
Net fee and commission income	150.8	114.0	32.28
Operating income	2,973.8	2,428.7	22.44
Operating expense	(1,194.4)	(941.4)	26.87
Reversals of impairment on assets	(176.5)	(34.3)	414.58
Profit before tax	1,602.9	1,453.0	10.32
	As at 30 June 2014	As at 31 December 2013	Changes (%)
Segment assets	87,901.6	81,954.1	7.26

Personal banking business recorded a profit before tax of RMB1,603 million, up 10.32% over the same period of the previous year, representing 33.58% as a proportion of the Bank's profit. Personal banking card and agent business, etc. have been on steady growth, driving an increase of 32.28% in the fee and commission income of the Bank as compared with the corresponding period of the previous year, thus contributing to the increase in profit from personal banking business in the first half of 2014.

1. Retail Deposits

To address China's macro economic adjustment and intense market competitions, the Bank positioned itself by aligning its brand value services with key marketing campaigns, 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 deposit and marketing 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 Spring Festival travel rush 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, which created favourable social benefits and drove up the growth of deposit in the peak season.

Based on the transformation of branch outlets in urban areas as well as the promotion of the value of branch outlets, the Bank dedicated itself to extending the base of middle- and high-end customers. The Bank carried forward the 2014 campaign of popularising financial knowledge through promoting financial knowledge to villages, to communities, to companies, to the market and to the gathering place of immigrant workers (the "Five To-s"), in a bid to consolidate its customer base and reinforce its leading edge in the market. In terms of product and service strategies, the Bank diversified its retail banking products and stepped up efforts in the sales of non-deposit products and the distribution of automatic service machines, in an attempt to secure and attract deposit customers. Moreover, given its efforts in refining the anonymous inspection system, enhancing the quality of counter services, enhancing the team-building of marketing personnel, setting up and improving the differentiated customer service system, boosting customer satisfaction and increasing the proportion of the financial assets owned by middle- and high-end customers, the Bank continued to maintain a stable and rapid growth in retail deposits, which amounted to RMB289,525 million, representing an increase of RMB30,885 million or 11.94% in retail 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 retail deposits.

2. Retail Loans

The Bank established the retail loan brand of “Integrity and Easy Loan (誠易貸)” by proactively adjusting credit structure, making use of regional advantages and strengthening sales and marketing management on retail loans. It spared no effort to develop employment assistance loans and personal automobile loans (個人汽車消費貸款) whilst actively supporting the development of small and micro enterprises and private economy, and catering to the needs of urban and rural residents for general consumption loans. The channels and guarantee types of loan application were broadened by launching WeChat loan application business and jointly providing insurance loan business secured by performance bonds with insurance companies. Initiatives were further introduced to equip its retail loan centres with consolidated services and to optimise the process of retail loan business for more efficient and better services in a sustainable manner. Henceforward, retail loans maintained steady growth. As at 30 June 2014, the balance of retail loans amounted to RMB91,004 million, representing an increase of RMB6,077 million or 7.16% over the end of the previous year. In particular, personal business loans which mainly aim at supporting small and micro enterprises amounted to RMB33,289 million, posting an increase of RMB4,434 million over the end of the previous year.

3. Bank Cards

The Bank is committed to branding a bank card business with distinctive features. On one hand, the Bank has been enriching bank card product series. Jiangyu Express (江渝捷) installment credit card was specially introduced by the Bank to promote the development of large amount installment business with high yield through provision of installment loans on automobile, parking space and other relevant products. On another hand, it scaled up the promotion of products and services to further improve market channels of its products. The promotion of large amount installment business carried out at certain large marketing events including Chongqing Yuelai International Auto Show and “Tuantuangou” (團團購) played a significant role in increasing the income from intermediary business of credit cards. As of 30 June 2014, the number of credit cards in issue accumulated to 127,400, an increase of 29,900 or 30.67% over the end of the previous year; while spending related to credit cards amounted to RMB8,617 million, representing an increase of 53.41% over the same period of the previous year; the balance of loans amounted to RMB2,367 million, representing an increase of RMB267 million over the end of the previous year. As the financial IC cards and social insurance cards were officially launched to the public and featured products such as Jiangyu Xiangqing Card (江渝鄉情卡) and Farmer’s Fortune Card (福農卡) were introduced, the Bank strengthened the promotion by seizing the opportunities arising from transformation of outlets and the “Five To-s” (五走進) campaign to further enhance brand awareness. For the six months ended 30 June 2014, the total number of debit cards in issue reached 13.8719 million, representing an increase of 1.1106 million or 8.70% as compared with that at the end of the previous year; spending related to credit cards amounted to RMB36,894 million; the fee income reached RMB29,461,200.

4. Agency Business

The structure of revenue of intermediary business was optimised with enriched sales techniques. Great efforts were made to establish a new marketing platform for community finance. In order to consolidate and enlarge its quality customer base, the Bank organised the marketing event of “Account Opening Fee Waiver for Au T+D business on Shanghai Gold Exchange” (上海黃金交易所黃金T+D業務開戶費減免營銷活動), the “Launch Ceremony of Community Finance” (社區金融啟動儀式) and other activities. It also initiated “Community Privileges of Online Mall” (網上商城社區優品惠) to integrate channel resources and improve shopping experience of customers in the community. The physical sales of precious metals amounted to RMB24.27 million, contributing a revenue of RMB1.36 million to the intermediary business, representing an increase of 74% over the same period of the previous year. The income from the sale of insurance was RMB1,031 million, and that from the sale of funds was RMB2,046 million.

III. Treasury Business

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Changes (%)
Net interest income	2,841.5	2,517.4	12.87
Fee and commission income	135.2	89.1	51.74
Fee and commission expense	(2.8)	(1.8)	55.56
Net fee and commission income	132.4	87.3	51.66
Net trading gain	205.8	38.2	438.74
Other operating income (loss), net	2.3	6.8	(66.18)
Operating income	3,182.0	2,649.7	20.09
Operating expense	(1,016.3)	(829.5)	22.52
Impairment on assets	(47.0)	(3.4)	1,282.35
Net loss on disposal of available-for-sale financial assets	0.8	(0.01)	(8,100.00)
Profit before tax	2,119.5	1,816.8	16.66

Item	As at 30 June 2014	As at 31 December 2013	Changes (%)
Segment assets	370,453.8	297,139.4	24.67

In the first half of 2014, facing the external environment consisting of rigorous regulatory policy and complicated economy condition, the Bank coped with the changes in financial market in a flexible manner, closely followed the trend of the market interest rate, adjusted investment and trading strategy in a timely manner and implemented streamlined management, in a bid to achieve sound and stable development while ensuring that the liquidity requirement and risks were under control.

The treasury business recorded profit before tax of RMB2,119 million in the first half of 2014, representing an increase of RMB303 million or 16.66% as compared with the same period of the previous year, which contributed 44.41% to the Group's profit and became an important source of profit of the Group.

1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014		As at 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities investments	127,141.1	34.32	105,911.5	35.64
Financial assets held under resale agreements	69,285.5	18.70	70,828.9	23.84
Cash and balances with central bank	78,893.7	21.30	68,782.1	23.15
Deposits and placements with banks and other financial institutions	89,474.8	24.15	48,712.2	16.39
Transfer of discounted bills and credit assets	1,525.2	0.41	468.7	0.16
Other assets	4,133.5	1.12	2,436.0	0.82
Total assets	370,453.8	100.00	297,139.4	100.00

As at 30 June 2014, the total size of operating assets was RMB370,454 million, representing an increase of RMB73,315 million or 24.67% as compared with the end of the previous year. In particular, debt securities investments increased by RMB21,230 million or decreased by 1.32% in proportion to total assets; cash and balances with central bank increased by RMB10,112 million or decreased by 1.85% in proportion to total assets; financial assets held under resale agreements decreased by RMB1,543 million or decreased by 5.14% in proportion to total assets; deposits and placements with banks and other financial institutions increased by RMB40,763 million or 7.76% in proportion to total assets; transfer of discounted bills and credit assets increased by RMB1,057 million or increased by 0.25% 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 2014		As at 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity debt securities	57,089.7	44.91	50,251.5	47.44
Debt securities classified as receivables	34,480.2	27.12	28,745.4	27.14
Debt securities at fair value	24,785.5	19.49	21,818.5	20.60
Available-for-sale debt securities	10,785.7	8.48	5,096.1	4.82
Total	127,141.1	100.0	105,911.5	100.00

In the first half of 2014, the Group continued to implement the classification management of its debt securities investment accounts. Apart from taking held-to-maturity debt securities as the major investment target, the Bank took the market condition into consideration and moderately invested in certain debt securities classified as receivables and debt securities measured at fair value. As at 30 June 2014, the Group saw an increase of RMB6,838 million or decreased by 2.53 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 RMB5,735 million or decreased by 0.02 percentage point in proportion to total debt securities investments in debt securities classified as receivables over the end of the previous year, an increase of RMB2,967 million or 1.11 percentage points in proportion to total debt securities investments in debt securities measured at fair value over the end of the previous year as well as an increase of RMB5,690 million or 3.66 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 2014		As at 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	49,213.6	38.71	18,632.1	17.59
AA	20,335.9	15.99	12,171.3	11.49
A	103.5	0.08	327.6	0.31
Unrated	57,488.1	45.22	74,780.5	70.61
Total	127,141.1	100.00	105,911.5	100.00

In the first half of 2014, the Group proactively leveraged on the trend of policies, further analysed and formed judgment on the market and determined the bond investment strategy of “proactively taking position and profit at the right time”. With respect to operation, the main objective of the strategy was to obtain short- and mid-term bonds with higher coupon rate and AA and AA+ ratings in the primary market and appropriately allocate bonds issued by policy banks as well as mid-term and corporate bonds with AAA rating. As at 30 June 2014 bonds with a rating of AA and above increased by RMB38,746 million or 25.62 percentage points in proportion to total debt securities investment as compared with the end of the previous year, while unrated bonds decreased by RMB17,292 million or 25.39 percentage points in proportion to total debt securities investment. Unrated bonds are mainly government bonds, bank notes issued by the PBOC, public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2014		As at 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 3 months	15,943.3	12.54	5,774.2	5.45
3 to 12 months	27,777.6	21.85	25,534.8	24.11
1 to 5 years	58,319.0	45.87	49,724.0	46.95
Over 5 years	25,101.2	19.74	24,878.5	23.49
Total	127,141.1	100.0	105,911.5	100.00

As at 30 June 2014, the Group's investments in debt securities with a remaining maturity of less than 12 months increased by RMB12,412 million or 4.83 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 increased by RMB223 million or decreased by 3.75 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 coupon rates and relatively higher investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

(4) Holding of Financial Bonds

As at 30 June 2014, the financial bonds held by the Group mainly consisted of the policy financial bonds and certain bonds issued by commercial banks and other financial institutions. Among which, the top ten financial bonds are as follows:

Expressed in RMB million, except for percentages

Name of debt securities	Nominal value	Interest rate per annum %	Maturity date	Impairment
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 policy banks in 2010	700.00	3.59	2020-02-25	—
Debt securities issued by policy banks in 2005	650.00	3.60	2020-11-29	—
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	—
Debt securities issued by commercial banks in 2006	530.00	3.75	2016-12-19	—
Debt securities issued by policy banks in 2005	510.00	3.42	2015-08-02	—
Debt securities issued by policy banks in 2006	450.00	3.60	2026-04-11	—
Debt securities issued by policy banks in 2010	400.00	4.30	2030-03-17	—

IV. Distribution Channels

1. Physical Outlets

Operating outlets are the primary distribution channels of the Bank. As at 30 June 2014, the Bank had 1,772 branches of various kinds, including one headquarters, one branch, one business department within the headquarters, 42 sub-branches, 12 tier-two sub-branches and 1,715 branch outlets, among which Qujing Branch in Yunnan became the first cross-regional branch among the domestic rural commercial banks. The network of branches of the Bank covers all the 38 administrative districts and counties of Chongqing with 1,460 distribution outlets in the County Area of Chongqing, covering all the bank areas in Chongqing with 311 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 will strategically develop its distribution channels, optimise the layout of outlets and step up restructuring to improve its service coverage, service capabilities and operational efficiency. In the first half of 2014, the Bank carried forward the establishment and development of its branches pursuant to the yearly plan of upgrading 4 specialised institutions for small and micro enterprises, establishing 2 new branches outside Chongqing and 3 branch outlets, relocating 80 existing branches and refurbishing 169 existing branches, craving for enhancement in the overall image and services of the outlets.

2. *Self-service Channels*

In order to expand the scope of customer services and provide customers with more convenient services, as at 30 June 2014, the Bank established 39 24-hour self-service centres and increased the number of ATMs and self-service enquiry terminals to 3,255 of which the number of ATMs increased by 131 to 2,474 and the number of self-service enquiry terminals increased by 74 to 781 over the end of the previous year. The proportion of machine to outlet exceeded 1.8:1.

The establishment of new convenient rural financial self-service terminals was under rational control whilst the withdraw mechanism was enhanced. As at 30 June 2014, 677 convenient rural financial self-service centres had been established and commenced on-line operation across the organisation. As such, the Bank greatly extended its financial service coverage whilst bringing convenience and benefits to the people in rural area, achieving both social and economic benefits.

3. *E-banking*

In the first half of 2014, the Bank, being fully aware of the significance of the function of E-channel business, leveraged its comprehensive E-banking business to build an all-rounded E-banking service system, in the hope of exploring and developing internet financial business. In the meantime, the Bank continued to improve the brand awareness and influence of its E-banking brand through carrying out various marketing activities, which further improved customer satisfaction.

(1) Mobile Banking

The Bank continued to innovate its mobile banking in order to meet the diversified financial needs of customers at all levels. As at 30 June 2014, the number of mobile banking customers of the Bank reached 1,801,900, representing an increase of 517,500 new customers or 40.29% as compared to the end of the previous year. The number of financial transactions for the year aggregated to 26,300,900, representing an increase of 90.79% as compared to the same period of the previous year. The amount of transactions was RMB347,413 million, representing an increase of 103.53% as compared to the same period of the previous year, ranking No. 1 among all financial institutions of Chongqing.

(2) Internet Banking

Corporate internet banking

The Bank continued to improve corporate internet banking service to provide more convenient and higher quality services to corporate customers. As at 30 June 2014, the number of corporate internet banking customers of the Bank increased by 33.98% over the end of the previous year to 13,800; 1,009,000 financial transactions occurred in the year, representing an increase of 54.14% over the same period of the previous year; the total amount of the transactions was RMB400,373 million, representing a growth of 102.01% over the same period of the previous year.

Personal internet banking

The Bank continued to enrich the functions of its products, actively improved customers' experiences and enhanced security in using internet banking. As at 30 June 2014, the number of personal internet banking customers was 1,023,200, representing an increase of 74.04% over the end of the previous year. 8,448,900 financial transactions have occurred in the year, representing an increase of 197.67% over the same period of the previous year; the total amount of transactions was RMB41,332 million, representing an increase of 81.82% over the same period of the previous year.

Online payment

The Bank had made continuous effort in optimising its internet payment function, which further improved customers' experiences. As at 30 June 2014, there had been 7,155,500 financial transactions in the year which were settled through online payment, representing an increase of 215.30% over the same period of the previous year. The transaction amount was RMB1,967 million, representing an increase of 497.87% over the same period of the previous year.

(3) WeChat Banking

WeChat banking is an intelligent interactive service platform for micro financial services based on Wechat customer application. Customers can deal with banking business through the conversational functions provided by the platform while maintaining security for funds by hardware encryption. The Bank was one of the first to carry out treasury operations in WeChat banking in China. Moreover, WeChat banking also provided various value-added services to customers including purchase of wealth management products, loan application and branches information, which enable WeChat customers to enjoy convenient, economical and practical financial service. As at 30 June 2014, WeChat banking has attracted the attention of 65,900 persons within ten months after its launch, with 2,671,500 messages received. The business has grown rapidly.

(4) Telephone and SMS Banking

By leveraging the most advanced telephone banking system in the industry with high flexibility and expandability, telephone and SMS banking offered one-stop customer service while reducing the costs to customer services to the maximum and reinforcing the supports for business. As at 30 June 2014, the telephone and SMS banking had offered services to customers for 3,772,800 times, indicating a promising growth in SMS banking. As at 30 June 2014, the number of accounts of SMS of the Bank had been accumulated to 6.7735 million, representing an increase of 1.2728 million or 23.14% as compared with the end of the previous year, while contracts signed by high-end customers accounted for 73.10%, an increase of 5.58 percentage points as compared with the end of the previous year.

The internet banking of the Bank achieved sustainable and efficient development through relentless efforts and bold innovations across the board. As at 30 June 2014, the substitution rate of E-banking account transactions of the Bank reached 78.72%, representing an increase of 8.51 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. As at the end of the reporting period, the Bank has established 10 CQRC Village and Township Banks with aggregate capital amounting to RMB4.131 billion and the outstanding balance of deposits and loans amounting to RMB1.606 billion and RMB3.152 billion, respectively.

VI. Information Technology

The establishment of information system was pushed forward, to lay a foundation for rapid development of business. In the first half of 2014, Information Technology Department conducted establishment, upgrade, optimisation and modification on various business systems to satisfy the need for rapid development of businesses. Firstly, the Bank continuously optimised and transformed the core system, intermediary business platform, self-service business platform, payment platform (including Nongxinyin Payment Second Edition (農信銀二代), The 2nd generation of China National Advanced Payment System, Yunnan Payment (雲南支付)), and supported the development of non-tax business, cable television, fund sales, Business Express in the Exchange (交易所銀商通) and other businesses. Secondly, it stepped into the internet financial sector with the direct sales banking system and P2P system successfully going online. Thirdly, it completed the united operating mode of credit management system, i.e. to complete the information audit, system input and expenditure payment, etc in operation centre.

The Bank intensified the data management through optimisation of the data management system. Against the backdrop of interest rate liberalisation and emergence of internet finance, it also researched and promoted the application of big data in a proactive manner. Firstly, the operation of unstructured data full lifecycle management platform commenced, which conducted the online, near line and offline full lifecycle management on the image data involved in business over-the-counter, centralised operation, long-distance authorisation, credit and other business processing of the whole Bank. Secondly, work focused on the integration process of data extracting, data cleansing, data processing, data integration and data presentation, including continuous optimisation of ODS data platform, construction of data interlayer and new report system were carried out, to provide data basis for the subsequent data statistics, analysis and excavation. Thirdly, data evaluation system and performance audit in terms of department, institution, product, customer and currency to lay the foundation for the data refined management and targeted marketing of the Bank were established.

The Bank promoted the innovation of financial products to provide user-friendly financial services for customers. Closely concentrated on the branch transformation and the “three-transformation strategy”, the Bank supported the business reengineering process of the Bank and promoted tasks of information technology research, implementation and reporting on technical innovation topics and others. Among these products, the Financial Service Platform of Jiangyu Mobile Phones Based on NFCSD Technology (《基於NFCSD技術的江渝手機金融服務平台》) and Risks and Costs Management and Control System of Rural Cooperatives Institutions Based on the Long-distance Centralised Authorisation and Intelligent Remittance Ideology (《基於遠程集中授權及智能匯路思想的農合機構風險及成本管控系統》) won the third prize of Technology Advancement 2013 awarded by the People’s Bank of China.

VII. Employees and Human Resources Management

1. Basic Information on Employees

As at the end of June 2014, the Bank had 15,633 regular employees, 9,463 of whom held Bachelor’s degrees or above, representing 60.53% of all the Bank’s regular employees. In addition, the Bank had 849 dispatch workers, 1,513 internally retired employees and 4,595 retired employees.

2. Overview of Human Resources Management

During the first half of 2014, adhering to the guiding principle of “three transformation” and focusing on the “three profound changes” and “four capability improvements”, the Bank optimised the corporate structure and established the asset custody department, which optimised the deployment of human resources. The Bank continued to implement “talents for a strong bank” strategy, pursuant to which it stepped up efforts in employing various talented staff, intensifying selecting and training of management talents, professional technical talents and inter-disciplinary young talents to optimise the human resources system and the management system of human resources. Human resources management thus improved effectively.

The Bank reformed the remuneration policy proactively through the optimisation of the management of positions and levels of professionals, and tried to implement staff level system. The Bank determined staff’s corresponding remuneration to optimise the protection mechanism for employees. These efforts aimed at facilitating the implementation of annuity plan, ensuring that serious illnesses will be covered by insurance to show care to its employees.

3. *Training*

The Bank was devoted to the business development and the improvement of the quality of staff, enhancing staff training with continuous efforts, integrating and optimising training resources and giving full play to the systematic advantage of an E-learning system for self-generated tasks, resulting in comprehensive trainings for different levels and categories. Staff's comprehensive quality was completely upgraded. In the first half of 2014, the Bank held 685 sessions of training of all kinds with attendances of 49,600, with an average of 3.25 sessions of training per person.

FINANCIAL BUSINESS IN COUNTY AREA

The banking 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, 31 sub-branches, 5 secondary sub-branches and their 1,424 distribution outlets as well as 10 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, stimulated innovation in finance, and kept on increasing the total financial supply in County Area, all of which have led to the rapid growth of financial services in County Area.

As at 30 June 2014, the loan balance of the banking business of the Bank in County Area amounted to RMB119,365 million, representing an increase of RMB11,409 million or 10.57% over the end of the previous year; non-performing loan ratio stood at 1.36%, increased by 0.06 percentage point from the end of the previous year; the deposit balance amounted to RMB265,978 million, representing an increase of RMB29,383 million or 12.42% over the end of the previous year. In particular, the corporate loan balance of the banking business in the County Area amounted to RMB55,887 million which accounted for 41.20% of the corporate loan balance of the Group, representing an increase of RMB6,704 million or 13.63% over the end of the previous year. The retail loan balance of the banking business in the County Area amounted to RMB63,478 million, representing an increase of RMB4,705 million or 8.01% over the end of the previous year, accounting for 69.75% of the retail loan balance of the Group.

I. Reform and Innovation

1. *Management Reinforcement*

During the reporting period, the Bank further reinforced the rural financial service management. On the basis of reinforcement of the leading service of Sannong Business Management Department, the Bank set up secondary departments and professional posts in the Corporate Banking Department, the Retail Banking Department, the Small Enterprises Banking Department and the International Banking Department to be responsible for the “Sannong” business guidance, line management, marketing service, product innovation, etc. In addition, the Bank further normalised and optimised the agricultural-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 the different incentive policies. It implemented differentiated incentive policies, gave more resources including staff, expenditures, ATM machines to county business branches to ensure the convenient, timely and effective satisfaction of the county financial services.

3. *Product Innovation*

During the reporting period, the Bank launched the “beautiful village houses”, “family farms”, “agricultural land facilities” and other rural credit products. 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, centred on the key 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 services 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, private business owners, 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.

As the only bank in Chongqing offering the new type of pension insurance services in rural areas, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11 million people. Departments of finance and social insurance of the city and districts/counties have opened 124 social insurance accounts with the Bank, with a capital balance of RMB8,076 million as at 30 June 2014. In the first half of 2014, the number of individual pensions withheld by the Bank amounted to 4,166,800, totaling RMB682 million; the number of individual pensions paid by the Bank as an agent amounted to 21,667,100, totalling RMB2,137 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, the Jiangyu Xiangqing Card, the Farmer's Fortune Card (福農卡), credit card, personal internet banking and mobile banking. As at 30 June 2014, the Bank owned 1,799 ATMs, 636 multi-media enquiry machines in County Area and established and operated 669 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also increased by 869,400 and 22,700 over the end of the previous year, respectively to 10,931,200 and 98,400, respectively, which accounted for 78.80% of the debit cards issued by the Bank and 77.23% of the credit cards issued by the Bank, respectively. With the gradual enhancement in electronic equipment and the increase in the number of cards, 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)	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	1,643.6	7,207.1	8,850.7	1,334.1	6,258.4	7,592.5
Net fee and commission income	91.5	306.3	397.8	92.1	210.9	303.0
Net trading gain	—	205.8	205.8	—	38.2	38.2
Share of profit of an associate	—	2.0	2.0	—	—	—
Other operating income, net	17.6	7.0	24.6	18.7	10.9	29.6
Total operating income	1,752.7	7,728.2	9,480.9	1,444.9	6,518.4	7,963.3
Internal transfer of income and expense	2,934.9	(2,934.9)	—	2,594.6	(2,594.6)	—
Gain after adjustment	<u>4,687.6</u>	<u>4,793.3</u>	<u>9,480.9</u>	<u>4,039.5</u>	<u>3,923.8</u>	<u>7,963.3</u>

For the six months ended 30 June 2014, the gain of County Area segment after adjustment was RMB4.688 billion, up 16.04% in comparison on a year-on-year basis, which was mainly attributable to rapid increases in net interest income.

RISK MANAGEMENT

In the first half of 2014, guided by New Basel Capital Accord and the comprehensive risk management, the Group revised the General Provisions on Risk Management as well as its relevant policies and procedures. It also commenced the project for internal credit risk rating for non-retail customers, with the implementation of new customer risk statistics system to intensify the monitoring and warning of credit risk. Meanwhile, the Group explored to implement the liquidity risk quota management and proactively prepared the construction of liquidity risk quota management information system to establish the risk control responsibility system and reinforce the examination and reformation of criminal risks. In addition, the Group carried out the activity of “Staff Behavior Management year” to intensify the guidance of the risk management works in its subordinate institutions. Furthermore, it issued the secondary capital bonds of RMB5 billion to supplement the secondary capital. During the reporting period, the capital adequacy level of Group decreased to some extent, the asset quality decreased a little while maintaining stability, but was within the controllable range. The provisions further increased and liquidity stayed in good condition. The measure of criminal controls and internal controls carried out effectively, thus the comprehensive risk management was further optimised.

I. Credit Risk Management

Credit risks refer to the risk of economic loss arising from the failure of the counter-party to a transaction to fulfill the corresponding responsibilities in compliance with contracted provisions. The credit risks of the Bank were mainly found in loan portfolio, investment portfolio, guarantee business and other internal or external credit risk exposures.

Confronted with macro-economic and financial changes in the first half of 2014, the Group implemented the macro-control policy of the State in a serious manner and adhered to the operational principle of “foundation consolidation, restructuring, and risk control”. It conscientiously optimised the credit risk management mechanism and continued to optimise the regime and system development of credit-risk management. It adjusted the credit policy timely and strengthened the risk management and control in key areas and key industries, especially the governmental financing platforms, the real estate sector, industries with high-energy consumption, high pollution and overcapacity as well as other key industries, with reference to both the macro changes and the trend of industry restructuring. It also reinforced the risk screening efforts. New means of non-site surveillance were introduced for the Group to actively identify and resolve potential risks. The capital flow of enterprises was monitored closely and greater efforts were made to terminate loans to customers with potential risks and to dispose non-performing loans. The loan portfolio thus gradually improved and the functions and scope of applications of the credit business management system were optimized continuously, resulting in stronger 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 Bank 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 Financial Planning Department and Risk Management 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 2014, the Group insisted on the business ideology of prudence and compliance, prioritized 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, the Group explored to implement liquidity risk quota management and prepared 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 stand risks under extreme pressure, and the results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

Liquidity Risk Analysis

In the first half of 2014, the economic activities in the PRC were generally stable despite of economy downwards risks. The PBOC conducted two directional standardizations in April and June to release capitals in the market, which resulted in a looser liquidity as compared to the corresponding period of last year. The Bank met the second directional standard, therefore, its liquidity was a little looser than the corresponding period last year.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of June 2014, the liquidity gap analysis of the Group is as follows:

Analysis of Remaining Maturity:

(Expressed in as RMB million)	Past due/ Undated	On demand	1 month	As at 30 June 2014				Total
				1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Net position of assets and liabilities	73,579.0	(164,194.3)	(9,590.0)	1,099.4	(52,772.1)	114,488.6	80,813.0	43,423.6

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).

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》) stipulated 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

The market risk of the bank accounts is mainly the interest rate risk. 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 2014, China steadily promoted the liberalised interest rates reform and a new financial market price formation and transmission mechanism was improved steadily. With the greater efforts on supervision and management, China normalized the inter-bank business management requirements to directly reduce the reserve ratio of Renminbi. By virtue of the diversified adjustment and control measures, the interest rate had little fluctuation. In response to the complex and changeable market situation, the Group kept a close eye on 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 profit and market value of the Group.

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

(Expressed in RMB million)	As at 30 June 2014					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	(99,861.1)	2,959.4	94,935.3	15,175.6	21,467.9	8,746.5	43,423.6

As at 30 June 2014, the Group's accumulated gaps for all maturities amounted to RMB43,424 million, representing an increase of RMB8,865 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, whereas transactions in foreign currencies are mainly the Bank's business of agency sale and purchase of foreign exchange.

During the first half of 2014, the exchange rate of Renminbi to U.S. dollars began to decrease with relatively large fluctuations. In middle of March, PBOC announced to expand the fluctuation range of the exchange rate of Renminbi, which indicated the enhancement of the bi-directional floating flexibility of the exchange rate of Renminbi, to further establish a managed floating system based on the supply and demand of the market. Accordingly, the marketization mechanism of the exchange rate of Renminbi was completed gradually. The Group strengthened its management of its exposure to foreign exchange risks and the management standard of off-balance of foreign exchange by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilisation of foreign exchange assets reasonably. It also 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 human error, inappropriate procedures and operation flow and IT system failure. External risks include risks arising from external contingencies.

With a view to meeting the demands of the New Basel Capital Accord and the establishment of process-based banking as well as working towards the long-term target necessary for a comprehensive risk management, the Group further strengthened its building of a prevention and control system over operational risks. It improved the management mechanism of operational risks, which enhanced the risk management capacity comprehensively. Through carrying out the mechanism of accountability for risk prevention and control across the Bank, the Group prevented risks and guaranteed the safe and sound operation of the Bank. To refine the prevention and control system of operational risks, the Group timely integrated and amended the existing management practices, aiming to improve the effectiveness of such system. The Group launched the activity named “Year of Managing the Employees’ Behavior (員工行為管理年)”, which leveraged the fundamental role of compliance culture in preventing and controlling the operational risks, and encouraged the employees to take initiative in compliance. The Group analysed the important and typical cases to locate the weak links and prevent the risks. The risk prevention and control work is closely related to the front-line and practical work. Such features were highlighted in the Group’s efforts in building the response mechanism of operational risks, through which the professional prevention and control complement with comprehensive governance effectively. The Group reinforced the prevention of risks in the course of IT outsourcing. It evaluated the outsourcing services comprehensively and strengthened the control measures, which reduced the outsourcing risks effectively.

V. Implementation of New Basel Capital Accord

Adhering to the philosophy of “Active Preparation, Rectifying Foundation, Stable Progress”, the Group carried out relevant projects of the new capital accord systematically and in accordance with the requirements of regulatory authorities. In the first half the year, based on sufficient survey, the Group kicked off the project of primary internal rating-based (IRB) approach for non-retail credit risk exposures on 27 May. It engaged consulting firm to assist in the building of internal rating system of non-retail exposures, data cleaning and governance, development of the model of internal rating and the design of the internal rating system of non-retail exposures. In the meantime, the Group was well prepared for the building of management system over liquidity risks.

VI. Anti-money Laundering

Insisting the risk-based concept in the anti-money laundering, the Bank duly performed its obligation to prevent and combat the criminal activities of money-laundering, and improved the effectiveness of anti-money laundering and anti-financing for terrorist activities. During the reporting period, according to The People's Bank of China's regulation plan, the Bank upgraded classification system for anti-money laundering and customer's risk grades. The new system is expected to be released in October and help reduce ineffective reports and the pressure arising from supplementation of data, greatly improving the efficiency and quality of anti-money laundering. In March 2014, the Bank performed self-inspection on anti-money laundering. Combining the self-inspection of business outlets and the random inspection of the branches and sub-branches, the coverage reached 100% which included the building of internal control system, client identification, information storage of client identity and transaction records, reports on transactions of large amount and dubious transactions, the classification of customer's risk grades, the training, promotion and fundamental work of anti-money laundering, etc. Pursuant to the overall requirements of "rectification upon identification", the Group analysed and implemented rectification measures once any problem was identified during self-inspection. The Bank valued the trainings for new employees on anti-money laundering, through which they can learn the rules and regulations, basic knowledge regarding anti-money laundering. The Bank also enhanced the awareness and prevention skills of the employees at the counters.

INTERNAL AUDIT

The Group has established an independent internal audit system. An audit committee was established under the Board and reported to the Board. The headquarters, each branch and sub-branch established the internal audit department and the Bank's controlled village and township banks employed full-time audit personnel, carrying out independent audit and supervision on the revenue and expenditures, and the economic activities of the Group, conducting appraisals and evaluations on the effectiveness of internal control and risk management, and reporting regularly or irregularly to the Board and the senior management concerning the audit status and the significant risks identified in the audit.

During the reporting period, focusing on the development strategy of the Group, the internal control department improved the audit work through the overall planning of audit resources, innovating the audit techniques and strengthening the audit management. The internal control department continued to build and apply the information system for the audit, in a bid to accelerating the reform of the Group's audit method. It also carried out internal control evaluations, roll-over risk prevention and inspection for cases, audit of the truth of operating target's completion, special examination, special audit of anti-money laundering, and the audit of the resignation of leading cadres in each branch, sub-branch and the Bank's controlled village and township banks. The internal control department specifically strengthened audit of business procedures such as at the counters, credit extensions, and financial planning in the grass-roots business outlets, as well as the risk control of the departments in headquarters such as fund operations, asset management, international business, information technology and coffers. Such measures improved the internal control and risk management of the Bank and ensured the sound development of each business.

OUTLOOK

In the first half of 2014, despite the significant recovery of the global economy, the performances of major economies were quite different. The US economy recovered in the second quarter with a moderate growth in the family expenditure and a steady rebound in the enterprise investment. The euro zone encountered twists and turns in its recovery despite a modest decline in commodity prices. Japan faced an inflection point with downward trend in its economic recovery and the trade deficits remained high. The emerging markets were troubled with high inflation and stalled growth. In the second half of the year, it is expected that the global economy will continue to see certain growth, outperforming that of last year. The major economies will maintain the easing in monetary policy to stimulate the economic growth. The World Bank estimates that the global economic growth will reach 2.8% in 2014, while the Fed adjusted the growth forecast of U.S. economy to 2.3%. Both figures are higher than the same period last year. As the effects of the domestic economic macro-control policies appeared, “steady growth” and “structure adjustment” policies achieved good results. The domestic economy gradually improved in May and will maintain the stability to keep the continuity and stableness of the macroeconomic policies in the second half of the year. Aiming at motivating the vitality of the market and increase the mode transformation and structure adjustment, China increased the quality and benefit of economic development. Chongqing is carrying out the establishment of the “Five Major Functional Areas” (「五大功能區域」) to accelerate its participation in the building of Yangtze River Economic Zone and New Silk Road Economic Zone. Benefited from policies of Opening Up of Western China and urban and rural overall development, Chongqing prepared and promoted new-type industrialization, information technology, urbanization and agricultural modernization. Through overall deepening of the reform and opening up, the economy of Chongqing maintained its healthy development.

In the second half of the year, the Bank will grasp a series of economic and financial policy opportunities of the PRC and Chongqing to further reinforce reform and firmly promote the “Three-Transformation” strategy. First and foremost, the Bank will deepen the reform and spend great efforts in promoting the reform of management mode. On the basis of setting up the headquarters of “Three Lines”, the Bank will optimise resources allocation, reinforce incentives assessment, and increase professional, integrated and refined management. In addition, the Bank will persist on its market positioning and accomplish “Sannong” and small and micro enterprises financial services to promote the development of the substantial economy. Moreover, it will intensify risk management and firmly control the risks in key domains of platforms and real estates, and reinforce liability management to create good conditions for the stable operation of the whole Bank.



Changes in Share Capital and Particulars of Shareholders

MOVEMENTS IN SHARES

Unit: share, %

	1 January 2014		Private placement	Increase/(decrease) +/- during the reporting period				Sub-total	30 June 2014	
	Number of shares	Percentage		Issue of additional shares	Bonus issue	Shares converted from capital reserve	Others		Number of shares	Percentage
I. Shares not subject to trading restrictions										
1. Non-overseas listed shares held by legal persons	5,227,930,059	56.21					328,500	328,500	5,228,258,559	56.22
Including: ① Shares held by state-owned legal person shareholders ¹	2,084,033,959	22.41					328,500	328,500	2,084,362,459	22.41
② Shares held by private legal person shareholders	3,143,896,100	33.80					—	—	3,143,896,100	33.81
2. Non-overseas listed shares held by natural persons	1,558,733,900	16.76					(328,500)	(328,500)	1,558,405,400	16.75
Including: ① Shares held by employee natural persons	147,965,390	1.59					(236,300)	(236,300)	147,729,090	1.59
② Shares held by natural persons other than employees	1,409,544,555	15.16					(79,950)	(79,950)	1,409,464,605	15.15
③ Shares held by shareholders without affirmed ownership ²	1,223,955	0.01					(12,250)	(12,250)	1,211,705	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:

- Non-overseas listed shares of the Bank were held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
- Shares held by shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not confirmed their ownership in the shares of the Bank. (Note: during the reporting period, 12,250 shares at the time of the former rural credit cooperatives were confirmed as shares of the Bank whilst the number of shares held by shareholders without affirmed ownership amounted to 1,211,705 shares).

ISSUANCE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

The Bank (the “Issuer”) successfully issued Tier 2 Capital Bonds (the “Bonds”) with a total of RMB5.0 billion in the PRC inter-bank bonds market on 19 June 2014 upon the approval of China Banking Regulatory Commission and the People’s Bank of China. The Bonds are fixed rate bonds for a term of 10 years. The Issuer is entitled to redeem the Bonds at the end of the fifth year. The coupon rate was finally determined at 6.38% through the tendering process. Proceeds from the Bonds will be used to replenish the Tier 2 Capital of the Bank pursuant to applicable laws and in accordance with the approval of the regulatory authority.

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

PARTICULARS OF SHAREHOLDINGS

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

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

Unit: share, %

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Number of shares pledged	Type of shares
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77	0	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	0	non-overseas listed shares
03	Loncin Holdings Limited (隆鑫控股有限公司)	private enterprise	570,000,000	6.13	470,000,000	non-overseas listed shares
04	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	state-owned	423,431,972	4.55	0	non-overseas listed shares
05	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	private enterprise	300,000,000	3.23	122,700,000	non-overseas listed shares
06	Xiamen Laierfu Trading Co., Ltd. (廈門來爾富貿易有限責任公司)	private enterprise	200,000,000	2.15	180,000,000	non-overseas listed shares
07	Chongqing Emperor Science & Technology Co., Ltd. (重慶愛普科技有限公司)	private enterprise	190,000,000	2.04	170,000,000	non-overseas listed shares
08	Chongqing Tianqi Industry Management Company Limited (重慶天麒產業管理有限公司)	private enterprise	160,000,000	1.72	160,000,000	non-overseas listed shares
09	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	private enterprise	150,000,000	1.61	150,000,000	non-overseas listed shares
10	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
Total			3,394,171,611	36.50	1,372,700,000	

Note: As at 30 June 2014, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of 9.3 billion shares. In addition, the aforesaid pledged shares are not subject to judicial moratorium.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS

As at 30 June 2014, the interests and short positions of substantial shareholders (within the meaning of the SFO), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Domestic Shares

Unit: share, %

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

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held (long position)	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Blackrock, Inc.	Interest of controlled corporations	130,158,044(L) 2,476,000(S)	5.18(L) 0.10(S)	1.40 0.03

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 Limited (隆鑫控股有限公司) held 629,304,418 shares, 621,435,221 shares and 570,000,000 shares of the Bank respectively, representing 6.77%, 6.68% and 6.13% of total share capital of the Bank respectively, and are substantial shareholders of the Bank.

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

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (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 18 March 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 April 1994 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 and currently has a registered capital of RMB6 billion.

Loncin Holdings Limited (隆鑫控股有限公司) is a key private enterprise in Chongqing. 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”.

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

As at 30 June 2014, the interests or short positions of the directors, the chief executive and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were as follows:-

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total issued share capital of the Bank
Supervisors				
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, the chief executive and supervisors of the Bank nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 30 June 2014.

Directors, Supervisors and Senior Management

DIRECTORS OF THE BANK

As the end of the reporting period, the board of directors of the Bank comprised a total of 10 directors, including one executive director, namely Mr. Liu Jianzhong (Chairman of the Board and Secretary to the Party Committee); four non-executive directors, namely Mr. Tao Jun, Mr. Wang Yongshu, Mr. Wen Honghai and Mr. Gao Xiaodong; and five independent non-executive directors, namely Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili.

On 10 March 2014, non-executive director Mr. Wu Xiufeng resigned from the positions of non-executive director and member of the minority shareholders' interest protection committee of the board of directors of the Bank.

On 30 May 2014, the appointment of Mr. Sun Lida to succeed Mr. Hua Yusheng as a non-executive director of the Bank was approved at the general meeting. Mr. Hua Yusheng ceased to serve as a non-executive director of the Bank and a member of the related party transaction supervision committee of the Bank with effect from 30 May 2014. Mr. Sun Lida will take the office from the date of approval of his qualification by the regulatory authority of the banking industry in China.

On 30 May 2014, the appointment of Mr. Xie Wenhui as an executive director of the Bank and appointment of Mr. Li Zuwei and Mr. Duan Xiaohua as non-executive directors of the Bank were approved at the general meeting. Each of their term of office will commence from the date of approval of their qualifications by the regulatory authority of the banking industry in China.

SUPERVISORS OF THE BANK

As the end of the reporting period, the board of supervisors of the Bank comprised a total of nine supervisors, including two shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan; four external supervisors, namely Ms. Dong Yunling, Mr. Chen Huiming, Mr. Zhang Xinyu and Mr. Shi Bentong; and three employee representative supervisors, namely Ms. Yang Mingping (Chairwoman of the Board of Supervisors), Mr. Zheng Yi and Mr. Zhu Yuzhou.

PRESIDENT OF THE BANK

On 25 March 2014, Mr. Xie Wenhui's qualification for acting as the president of the Bank was approved by the regulatory authority of the banking industry in China.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by directors and supervisors and relevant employees on terms no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquires, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months ended 30 June 2014.

CORPORATE GOVERNANCE

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

Amendments to the documents for corporate governance. At the 2013 annual general meeting of the Bank held on 30 May 2014, among others, amendments to the articles of association of the Bank, the rules and procedures of the general meetings, the rules and procedures of the meetings of the Board, and the rules and procedures of the meetings of the board of supervisors were considered and approved, and will become effective from the date of the approval of the regulatory authority of the banking industry in China.

Reform of the organisation. In order to promote the development and meet the demand of the market, in terms of the organization of management, the Investment Banking Department was renamed as Assets Management Department and its related duties were adjusted correspondingly, providing stronger support for the business development of the Bank.

Corporate Governance Code. For the six months ended 30 June 2014, 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 observing and complying with most of the recommended best practices set out in the aforementioned code.

IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

Upon the approval of the 2013 annual general meeting of the Bank, the Bank distributed cash dividends for 2013 of RMB0.19 per share (tax inclusive) and RMB1,767 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 13 June 2014.

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 RMB5,825 million, accounting for 2.57% of the total loans of the Bank. Loans under the material related party transaction 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 arbitration which had substantial impact on the operating activities of the Bank.

As at the end of the reporting period, pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB15,046,700. In the opinion of the Bank, it would not have any material impact on the Bank's operating activities.

PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

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

PERFORMANCE OF UNDERTAKINGS BY THE BANK AND SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

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

THE REVIEW

The Bank's interim condensed consolidated financial information for the six months ended 30 June 2014 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 2014 had been reviewed by the Audit Committee under the Board of the Bank and the Board.

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 83 to 144, 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 2014 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

15 August 2014

Condensed Consolidated Statement of Income

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Interest income	5	15,939,220	12,902,756
Interest expense	5	(7,088,553)	(5,310,313)
Net interest income	5	8,850,667	7,592,443
Fee and commission income	6	424,938	327,012
Fee and commission expense	6	(27,102)	(23,968)
Net fee and commission income	6	397,836	303,044
Net trading gain	7	205,800	38,241
Share of profit of an associate	25	2,024	—
Other operating income, net	8	24,613	29,584
Operating income		9,480,940	7,963,312
Operating expenses	9	(3,788,602)	(3,260,553)
Impairment on assets	10	(920,207)	(463,700)
Net gains/(losses) on disposal of available-for-sale financial assets		783	(8)
Profit before tax		4,772,914	4,239,051
Income tax expense	11	(1,171,232)	(1,019,364)
Profit for the period		3,601,682	3,219,687
Attributable to:			
Equity holders of the Bank		3,590,945	3,217,254
Non-controlling interests		10,737	2,433
		3,601,682	3,219,687
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	13	0.39	0.35

Condensed Consolidated Statement of Income And Other Comprehensive Income

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Profit for the period	3,601,682	3,219,687
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit plans	(51,180)	44,440
Income tax relating to actuarial	12,795	(4,592)
	<u>(38,385)</u>	<u>39,848</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale financial assets		
– fair value gain	199,287	24,949
– amount reclassified to the profit or loss upon disposal	(783)	8
Income tax relating to available-for-sale financial assets	(49,626)	(6,239)
	<u>148,878</u>	<u>18,718</u>
Other comprehensive income for the period (net of tax)	<u>110,493</u>	<u>58,566</u>
Total comprehensive income for the period	<u><u>3,712,175</u></u>	<u><u>3,278,253</u></u>
Total comprehensive income attributable to:		
Equity holders of the Bank	3,701,438	3,275,820
Non-controlling interests	<u>10,737</u>	<u>2,433</u>
Total comprehensive income for the period	<u><u>3,712,175</u></u>	<u><u>3,278,253</u></u>

Condensed Consolidated Statement of Financial Position

At 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

		At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
	Notes		
ASSETS			
Cash and balances with central bank	14	78,893,714	68,782,134
Deposits with banks and other financial institutions	15	20,051,045	23,655,929
Placements with banks and other financial institutions	16	69,423,803	25,056,277
Financial assets held for trading	17	1,863,369	2,690,994
Financial assets designated as at fair value through profit or loss	18	22,922,145	19,127,488
Derivative financial assets	19	1,735	455
Financial assets held under resale agreements	20	69,285,471	70,828,936
Loans and advances to customers	21	218,588,970	198,150,565
Available-for-sale financial assets	22	10,851,133	5,168,334
Held-to-maturity investments	23	57,089,718	50,251,518
Debt securities classified as receivables	24	34,480,182	28,745,383
Interest in an associate	25	102,293	100,268
Property and equipment	26	3,709,835	3,574,211
Deferred tax assets	36	1,725,697	1,866,903
Goodwill	27	440,129	440,129
Other assets	28	5,051,782	4,006,448
Total assets		594,481,021	502,445,972
LIABILITIES			
Borrowings from central bank		2,126,000	185,000
Deposits from banks and other financial institutions	29	83,642,151	63,557,058
Placements from banks	30	8,758,895	2,787,829
Financial liabilities designated as at fair value through profit or loss	31	1,040,000	1,040,000
Derivative financial liabilities	19	1,457	239
Financial assets sold under repurchase agreements	32	46,194,571	37,240,636
Due to customers	33	395,088,172	347,883,413
Accrued staff costs	34	2,734,391	3,071,804
Tax liabilities		607,740	980,797
Debt securities issued	35	7,300,000	2,300,000
Other liabilities	37	8,153,164	6,509,891
Total liabilities		555,646,541	465,556,667

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

		At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
	Notes		
EQUITY			
Share capital	38	9,300,000	9,300,000
Capital reserve	39	9,201,954	9,201,954
Investment revaluation reserve	40	12,933	(135,945)
Actuarial changes reserve		5,075	43,460
Surplus reserve	41	6,394,534	6,394,534
General reserve	42	6,371,220	5,497,269
Retained earnings		6,900,170	5,950,176
Equity attributable to equity holders of the Bank		38,185,886	36,251,448
Non-controlling interests		648,594	637,857
Total equity		38,834,480	36,889,305
Total equity and liabilities		594,481,021	502,445,972

The condensed consolidated financial information on page 83 to 144 were approved and authorised for issue by the Board of Directors on 15 August 2014 and are signed on its behalf by:

LIU JIANZHONG
CHAIRMAN

CHEN Zhengsheng
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	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 2014		9,300,000	9,201,954	6,394,534	5,497,269	5,950,176	(135,945)	43,460	637,857	36,889,305
Profit for the period		—	—	—	—	3,590,945	—	—	10,737	3,601,682
Other comprehensive income		—	—	—	—	—	148,878	(38,385)	—	110,493
Total comprehensive income for the period		—	—	—	—	3,590,945	148,878	(38,385)	10,737	3,712,175
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	—
Appropriation to general reserve	42	—	—	—	873,951	(873,951)	—	—	—	—
Dividend distribution	12	—	—	—	—	(1,767,000)	—	—	—	(1,767,000)
As at 30 June 2014 (unaudited)		9,300,000	9,201,954	6,394,534	6,371,220	6,900,170	12,933	5,075	648,594	38,834,480

	Notes	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 2013		9,300,000	9,201,954	5,797,650	2,847,848	4,786,433	(13,161)	(13,778)	308,788	32,215,734
Profit for the period		—	—	—	—	3,217,254	—	—	2,433	3,219,687
Other comprehensive income		—	—	—	—	—	18,718	39,848	—	58,566
Total comprehensive income for the period		—	—	—	—	3,217,254	18,718	39,848	2,433	3,278,253
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	256,000	256,000
Appropriation to general reserve	42	—	—	—	2,649,421	(2,649,421)	—	—	—	—
Dividend distribution	12	—	—	—	—	(1,581,000)	—	—	—	(1,581,000)
As at 30 June 2013 (unaudited)		9,300,000	9,201,954	5,797,650	5,497,269	3,773,266	5,557	26,070	567,221	34,168,987

Condensed Consolidated Statement of Cash Flows

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Notes		
Operating activities		
Profit before tax	4,772,914	4,239,051
Adjustments for:		
Depreciation and amortisation	270,717	225,465
Impairment on assets	920,207	463,700
Interest income arising from debt securities	(2,732,670)	(2,356,108)
Interest income arising from impaired financial assets	(35,186)	(11,041)
Interest expense arising from debt securities issued	70,261	63,250
Net (gain) losses on disposal of investment securities	(459)	8
Share of profit of an associate	(2,024)	—
Dividend income from investment securities	—	(1,180)
Net gain on disposal of property and equipment	(8,835)	(6,322)
Net gain on financial assets held for trading	(205,968)	—
Exchange (gain) losses	(1,556)	(2,425)
Operating cash flows before movements in working capital	3,047,401	2,614,398
Increase in balances with central bank, deposits with banks and other financial institutions	(1,228,114)	(7,590,724)
Increase in placements with banks and other financial institutions	(20,673,757)	(12,496,997)
Increase in financial assets held under resale agreements	(992,582)	(3,142,547)
Decrease (Increase) in financial assets held for trading	1,550,570	(1,903,040)
Increase in loans and advances to customers	(21,392,296)	(18,769,159)
Increase in financial assets designated as at fair value through profit or loss	(3,794,657)	(2,536,118)
Increase in financial assets sold under repurchase agreements	8,953,935	1,872,184
Increase in due to customers, deposits from banks and other financial institutions	67,292,036	50,650,403
Increase in borrowings from central bank	1,941,000	20,000
Increase (Decrease) in placements from banks	5,971,159	(1,731,943)
Decrease in financial liabilities designed as at fair value through profit or loss	—	(904,269)

Condensed Consolidated Statement of Cash Flows (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Notes		
Increase in other operating assets	(1,358,759)	(370,500)
(Decrease) Increase in other operating liabilities	(484,729)	635,697
Cash generated by operating activities	38,831,207	6,347,385
Income tax paid	(1,439,914)	(936,471)
Net cash from operating activities	37,391,293	5,410,914
Investing activities		
Cash received from disposal and redemption of investment securities	12,719,600	16,274,132
Cash received from disposal of property and equipment and other assets	270,701	17,190
Cash paid for purchase of investment securities	(30,880,268)	(12,055,976)
Cash paid for purchase of property and equipment and other assets	(549,381)	(424,526)
Interest income received from investment securities	2,509,635	2,240,771
Dividend income from investment securities	—	1,180
Net cash (from) used in investing activities	(15,929,713)	6,052,771

Condensed Consolidated Statement of Cash Flows (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Financing activities			
Contribution from non-controlling shareholders		—	256,000
Debt securities issued		5,000,000	—
Dividends paid to shareholders of the Bank		(48,950)	(42,982)
Net cash from financing activities		4,951,050	213,018
Net increase in cash and cash equivalents		26,412,630	11,676,703
Cash and cash equivalents as at 1 January		34,280,325	27,353,070
Effect of foreign exchange rate changes		24,486	(5,023)
Cash and cash equivalents as at 30 June	43	60,717,441	39,024,750
		Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Net cash from operating activities include:			
Interest received		12,775,375	10,039,929
Interest paid		(6,831,572)	(5,006,322)
Net interest received from operating activities		5,943,803	5,033,607

Notes To The Condensed Consolidated Financial Information

For the six months ended 30 June 2014

(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. B0335H2500000001 issued by the China Banking Regulatory Commission (the “CBRC”), and business license No.5000000000001239 issued by the Chongqing Administration of Industry and Commerce.

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

The condensed consolidated financial 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION — CONTINUED

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 2013. 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 2013.

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 as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013. The condensed consolidated financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

New and revised IFRSs effective by 1 January 2014 applied by the Group

Amendment to IFRS10/ IFRS 12 and IAS 27	Investment Entities	1 January 2014
Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to IAS 36	Impairment of Assets - Recoverable Amount for Non-Financial Assets	1 January 2014
Amendment to IAS 39	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

The application of these new and revised IFRSs do not have significant impact 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 2014

(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 period beginning on or after
Amendment to IFRS19 (revised)	Employee benefits on defined benefit plans	1 July 2014
IFRS(revised)	Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
IFRS(revised)	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
IFRS 9	Financial instruments	1 January 2018
IFRS14	Regulatory deferral accounts	1 January 2016
IFRS15	Revenue from contracts with customers	1 January 2016

Amendment to IAS19 (revised), Employee benefits — To plans that require employees or third parties to contribute towards the cost of benefits.

The amendment to IAS 19 (revised) - Employee Benefits will affect any postemployment benefit plans where employees or third parties are required to bear some of the cost of the plan. The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employees' working lives.

Annual Improvements to IFRSs 2010-2012 Cycle

The annual improvements to IFRSs 2010 - 2012 Cycle include the amendments to IFRS 2 - Share-Based Payment, the amendments to IFRS 3 - Business Combinations, the amendments to IFRS 8- Operating Segments, the amendments to IFRS 13 - Fair Value Measurement, the amendments to IAS 24 - Related Party Disclosures, the amendments to IAS 16 - Property, Plant and Equipment, and the amendments to IAS 38 - Intangible Assets.

Annual Improvements to IFRSs 2011 - 2013 Cycle

The annual improvements to IFRSs 2011 - 2013 Cycle include the amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards, the amendments to IFRS 3 - Business Combinations, the amendments to IFRS 13 - Fair Value Measurement, and the amendments to IAS 40 - Investment Property.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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 — continued

IFRS 9 Financial Instruments

The IASB published the final version of IFRS 9 Financial Instruments on 24 July 2014. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, the standard is available for early adoption.

Classification and Measurement

IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics.

Impairment

Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses. Specifically, the model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments

Hedge Accounting Treatment

The standard includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment.

Own Credit

To address the so-called own credit issue, IFRS 9 requires changes in the fair value of an entity's own credit risk to be recognised in other comprehensive income rather than in profit or loss.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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 — continued

IFRS 14 Regulatory deferral accounts

This standard as transition rules specifies the accounting for certain balances that arise from rate - regulated activities (regulatory deferral accounts). This standard is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, and impairment and de-recognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.

IFRS 15 Revenue from contracts with customers

The standard moves away from a revenue recognition model based on an earnings processes to an “asset-liability” approach based on transfer of control. Performance obligations are the building blocks in the new revenue recognition model. The amount and timing of revenue recognition are determined at the performance obligation level. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to the customer. It replaces the separate models for goods, services and construction contracts under current IFRS.

The directors of the Group are in the process of assessing the impact on the Group’s financial statements from these new standards.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

4. SUBSIDIARIES

As at 30 June 2014, 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: thousand)	Proportion of equity interest (%)	Proportion of voting power on the board of directors (%)	Principal activities
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)	23 April 2010	Jiangsu	200,000	51.00	51.00	Banking
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)	12 November 2010	Sichuan	100,000	51.00	51.00	Banking
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)	14 December 2010	Yunnan	200,000	51.00	51.00	Banking
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)	4 December 2012	Yunnan	100,000	51.00	51.00	Banking
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)	9 January 2013	Yunnan	100,000	51.00	51.00	Banking
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)	9 January 2013	Guangxi	100,000	51.00	51.00	Banking
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)	4 February 2013	Fujian	100,000	51.00	51.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd. (福建福安渝農 商村鎮銀行有限責任公司)	5 February 2013	Fujian	200,000	51.00	51.00	Banking
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)	23 April 2013	Yunnan	62,000	82.26	82.26	Banking
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)	9 August 2013	Fujian	100,000	51.00	51.00	Banking

The proportion of equity interest and proportion of voting power on the board of directors remained the same as above for the six months ended 30 June 2014.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Interest income		
Loans and advances to customers	7,701,379	6,534,589
Including: Corporate loans and advances	4,421,167	3,951,120
Retail loans and advances	3,172,356	2,397,516
Discounted bills	107,856	185,953
Financial assets held under resale agreements	2,538,440	1,800,600
Debt securities classified as receivables	1,336,408	1,183,509
Held-to-maturity investments	1,222,321	1,044,719
Placements with banks and other financial institutions	1,179,830	954,962
Balances with central bank	563,374	483,928
Financial assets designated as at fair value through profit or loss	614,633	472,370
Deposits with banks and other financial institutions	515,967	191,170
Financial assets held for trading	92,927	109,029
Available-for-sale financial assets	173,941	127,880
Subtotal	15,939,220	12,902,756
Interest expense		
Due to customers	(4,005,713)	(3,237,131)
Deposits from banks and other financial institutions	(1,652,801)	(951,911)
Financial assets sold under repurchase agreements	(1,248,662)	(894,379)
Placements from banks	(104,709)	(162,164)
Debt securities issued	(70,261)	(63,250)
Borrowings from central bank	(6,407)	(1,478)
Subtotal	(7,088,553)	(5,310,313)
Net interest income	8,850,667	7,592,443
Included: interest income on impaired financial assets (Note 21.(3))	35,186	11,041
Included in interest income		
Interest income on listed investments	1,713,645	1,347,078
Interest income on unlisted investments	1,726,585	1,590,429
	3,440,230	2,937,507

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

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Fee and commission income		
Consultancy and advisory fees	202,609	138,863
Bank card fees	96,650	79,989
Custodian and other fiduciary service fees	92,238	78,766
Settlement and clearing fees	29,229	26,401
Others	4,212	2,993
Subtotal	424,938	327,012
Fee and commission expense		
Bank card fees	(18,096)	(17,355)
Settlement and clearing fees	(5,548)	(5,223)
Other service fees	(3,458)	(1,390)
Subtotal	(27,102)	(23,968)
Total	397,836	303,044

7. NET TRADING GAIN

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Net gain on held-for-trading debt securities	205,522	38,241
Net gain on derivatives	278	—
Total	205,800	38,241

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Net gain on disposal of property and equipment	8,835	6,322
Rental income	6,922	3,769
Dividend income from unlisted available-for-sale investments	—	1,180
Net gain on disposal of foreclosed assets	208	402
Exchange gain	2,276	6,682
Government subsidy	4,000	10,129
Others	2,372	1,100
Total	<u>24,613</u>	<u>29,584</u>

9. OPERATING EXPENSES

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Staff costs (Note)	2,275,900	2,006,872
Business tax and surcharges	624,418	503,876
General operating and administrative expenses	478,048	424,395
Depreciation and amortisation	270,717	225,465
Auditor's remuneration	1,602	1,380
Others	137,917	98,565
Total	<u>3,788,602</u>	<u>3,260,553</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

9. OPERATING EXPENSES — CONTINUED

Note:

Staff costs

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	1,588,708	1,436,299
Social insurance	359,149	246,655
Housing funds	128,963	102,504
Labour union fees and staff education expenses	53,924	48,626
Staff welfare	44,206	36,598
Supplementary retirement benefits (Note 34)	84,910	82,240
Early retirement benefits (Note 34)	16,040	53,950
Total	2,275,900	2,006,872

10. IMPAIRMENT ON ASSETS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Loans and advances to customers		
Provisions	998,053	607,412
Recovery of loans	(124,878)	(147,142)
Subtotal	873,175	460,270
Held-to-maturity investments	43,285	3,360
Available-for-sale investments	(18,609)	—
Debt securities classified as receivables	22,356	70
Total	920,207	463,700

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	1,066,857	1,033,968
Deferred tax (Note 36)	104,375	(14,604)
Total	<u>1,171,232</u>	<u>1,019,364</u>

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

The tax charges for the six months ended 30 June 2014 and 30 June 2013 can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss as follows:

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Profit before tax	<u>4,772,914</u>	<u>4,239,051</u>
Tax calculated at applicable statutory tax rate of 25%	1,193,229	1,059,763
Tax effect of expenses not deductible for tax purpose	28,484	29,896
Tax effect of income not taxable for tax purpose (Note)	<u>(50,481)</u>	<u>(70,295)</u>
Income tax expense	<u>1,171,232</u>	<u>1,019,364</u>

Note: 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 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

12. DIVIDENDS

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Dividends recognised as distribution during the period		
2012 Final - RMB 17 cents per share	—	1,581,000
2013 Final - RMB 19 cents per share	1,767,000	—

A final dividend of RMB 19 cents per share (pre-tax) in respect of the year ended 31 December 2013 in total of RMB 1,767 million has been proposed by the directors on 28 March 2014, and was approved by the 2013 annual general meeting on 30 May 2014.

A final dividend of RMB 17 cents per share (pre-tax) in respect of the year ended 31 December 2012 in total of RMB 1,581 million has been proposed by the directors on 22 March 2013, and was approved by the 2012 annual general meeting on 10 May 2013.

The directors of the Bank do not proposed interim dividend for the six months ended 30 June 2014.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Earnings:		
Profit for the period attributable to equity holders of the Bank	3,590,945	3,217,254
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>)	0.39	0.35

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

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

14. CASH AND BALANCES WITH CENTRAL BANK

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Cash	3,388,331	3,363,889
Mandatory reserve deposits with central bank (Note)	68,541,364	62,388,225
Surplus reserve deposits with central bank	5,926,547	2,282,698
Other deposits with central bank	1,037,472	747,322
Total	<u>78,893,714</u>	<u>68,782,134</u>

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

As at 30 June 2014, mandatory reserve deposits with the PBOC were calculated at 17.5% (31 December 2013: 18%) of eligible RMB deposits for the Bank, while for the subsidiaries at 13% or 14% (31 December 2013: 13% or 14%); and 5% of foreign currency deposits from customers (31 December 2013: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

15. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Deposits with:		
Domestic banks	19,914,049	23,616,351
Overseas banks	136,996	39,578
Total	<u>20,051,045</u>	<u>23,655,929</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Placements with:		
Domestic banks	2,550,755	3,101,110
Other domestic financial institutions	66,873,048	21,955,167
Total	69,423,803	25,056,277

17. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Debt securities issued by:		
Corporations	1,346,224	2,502,116
Financial institutions	517,145	188,878
Total	1,863,369	2,690,994

Note: All held-for-trading debt securities are traded on the China Interbank Bond Market.

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Principal guaranteed wealth management products	1,040,000	1,040,000
Unlisted debt instruments issued by financial institutions	21,882,145	18,087,488
Total	22,922,145	19,127,488

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 2014 and 2013.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2014 (Unaudited)			As at 31 December 2013 (Audited)		
	Contractual/ Notional amount	Assets	Liabilities	Contractual/ Notional amount	Assets	Liabilities
Currency forwards	<u>207,510</u>	<u>1,735</u>	<u>(1,457)</u>	<u>171,396</u>	<u>455</u>	<u>(239)</u>

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Analysed by collateral type:		
Trust beneficial rights and assets management plans (Note)	54,357,247	55,960,227
Bills	14,928,224	14,648,809
Bonds	—	219,900
Total	<u>69,285,471</u>	<u>70,828,936</u>

Note: The underlying investments were debt instruments with fixed or determinable return and fixed maturity.

21. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Gross loans and advances	226,569,228	205,167,956
Less: Allowance for impairment losses		
— Individually assessed	(620,680)	(355,341)
— Collectively assessed	<u>(7,359,578)</u>	<u>(6,662,050)</u>
Allowance for impairment losses	<u>(7,980,258)</u>	<u>(7,017,391)</u>
Loans and advances to customers	<u>218,588,970</u>	<u>198,150,565</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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 ^(a)	Identified impaired loans and advances ^(b)			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 2014 (Unaudited)						
Gross loans and advances	224,720,839	696,509	1,151,880	1,848,389	226,569,228	0.82
Allowance for impairment losses	(6,833,152)	(526,426)	(620,680)	(1,147,106)	(7,980,258)	
Loans and advances to customers, net	<u>217,887,687</u>	<u>170,083</u>	<u>531,200</u>	<u>701,283</u>	<u>218,588,970</u>	
As at 31 December 2013 (Audited)						
Gross loans and advances	203,602,966	653,986	911,004	1,564,990	205,167,956	0.76
Allowance for impairment losses	(6,156,144)	(505,906)	(355,341)	(861,247)	(7,017,391)	
Loans and advances to customers, net	<u>197,446,822</u>	<u>148,080</u>	<u>555,663</u>	<u>703,743</u>	<u>198,150,565</u>	

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

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS — CONTINUED

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

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2014	355,341	6,662,050	7,017,391
Charge for the period	297,842	2,488,748	2,786,590
Reverse for the period	(7,590)	(1,780,947)	(1,788,537)
Unwinding of discount on allowance	(24,913)	(10,273)	(35,186)
As at 30 June 2014	<u>620,680</u>	<u>7,359,578</u>	<u>7,980,258</u>

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2013	449,611	5,383,073	5,832,684
Charge for the year	205,892	5,065,464	5,271,356
Reverse for the year	(251,122)	(3,711,131)	(3,962,253)
Written off	(22,218)	(67,632)	(89,850)
Unwinding of discount on allowance	(26,822)	(7,724)	(34,546)
As at 31 December 2013	<u>355,341</u>	<u>6,662,050</u>	<u>7,017,391</u>

The following disclosures (Note 21. (4) to (7)) in relation to loans and advances to customers have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the consolidated financial statements of the Group.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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 is analyzed as follows:

	As at 30 June 2014 (Unaudited)		As at 31 December 2013 (Audited)	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	42,727,413	31.50	36,234,720	30.11
Water, environment and public utilities management	19,742,760	14.56	22,453,470	18.66
Real estate	13,485,058	9.94	13,897,209	11.55
Retail and wholesale	13,236,308	9.76	9,593,155	7.97
Production and supply of electricity, gas and water	8,981,005	6.62	6,904,592	5.74
Construction	8,081,447	5.96	6,917,420	5.75
Agriculture	6,471,358	4.77	6,535,587	5.43
Transportation, logistics and postal service	4,782,277	3.53	2,614,516	2.17
Leasing and commercial services	4,573,861	3.37	3,752,317	3.12
Education	3,039,929	2.24	3,013,888	2.50
Financial services	1,525,229	1.12	468,658	0.39
Others	8,993,611	6.63	7,939,117	6.61
Subtotal	135,640,256	100.00	120,324,649	100.00
Retail loans and advances				
Residential mortgage and personal commercial property loans	45,729,072	50.25	46,279,708	54.49
Loans to private business and re-employment loans	33,288,953	36.58	28,854,682	33.98
Credit card	2,366,902	2.60	2,099,843	2.47
Others	9,619,569	10.57	7,693,574	9.06
Subtotal	91,004,496	100.00	84,927,807	100.00
Contractual amount of loans and advances to customers	226,644,752		205,252,456	

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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 analyzed as follows:

	As at 30 June 2014 (Unaudited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	11,053,137	3,886,896	4,332,884	19,272,917
Guaranteed loans	23,514,195	12,472,681	4,123,625	40,110,501
Collateralized and other secured loans				
— loans secured by property and other immovable assets	38,710,648	49,537,429	55,112,738	143,360,815
— other pledged loans	16,674,621	4,716,139	2,509,759	23,900,519
Total	89,952,601	70,613,145	66,079,006	226,644,752

	As at 31 December 2013 (Audited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	6,124,363	6,670,642	5,263,630	18,058,635
Guaranteed loans	18,722,743	12,438,350	7,101,914	38,263,007
Collateralized and other secured loans				
— loans secured by property and other immovable assets	25,250,315	50,453,556	58,779,669	134,483,540
— other pledged loans	6,209,135	4,315,771	3,922,368	14,447,274
Total	56,306,556	73,878,319	75,067,581	205,252,456

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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 2014 (Unaudited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	86,131	37,856	59,948	186,576	370,511
Guaranteed loans	511,210	130,659	22,217	58,038	722,124
Collateralized and other secured loan					
— loans secured by property and other immovable assets	1,790,747	360,276	136,606	283,304	2,570,933
— other pledged loans	276,026	5,900	3,355	17,479	302,760
Total	<u>2,664,114</u>	<u>534,691</u>	<u>222,126</u>	<u>545,397</u>	<u>3,966,328</u>

	As at 31 December 2013 (Audited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	150,520	25,332	78,872	180,148	434,872
Guaranteed loans	205,451	36,893	14,848	62,308	319,500
Collateralised and other secured loan					
— loans secured by property and other immovable assets	1,180,480	127,858	120,057	302,194	1,730,589
— other pledged loans	7,869	7,069	3,691	19,346	37,975
Total	<u>1,544,320</u>	<u>197,152</u>	<u>217,468</u>	<u>563,996</u>	<u>2,522,936</u>

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

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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

		As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	NOTES		
Neither past due nor impaired	(i)	222,090,883	202,182,919
Past due but not impaired	(ii)	2,629,956	1,420,255
Impaired	(iii)	1,923,913	1,649,282
Subtotal		226,644,752	205,252,456
Less: Allowance for impairment losses of loans and advances to customers		(8,055,782)	(7,101,891)
Loans and advances to customers		218,588,970	198,150,565

(i) Loans and advances neither past due nor impaired

As at 30 June 2014 (Unaudited)			
	Normal	Special mention	Total
Corporate loans and advances	129,496,664	4,210,505	133,707,169
Retail loans and advances	88,137,697	246,017	88,383,714
Total	217,634,361	4,456,522	222,090,883

As at 31 December 2013 (Audited)			
	Normal	Special mention	Total
Corporate loans and advances	115,354,106	3,853,173	119,207,279
Retail loans and advances	82,573,814	401,826	82,975,640
Total	197,927,920	4,254,999	202,182,919

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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, substandard, 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 2014 (Unaudited)				
	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Corporate loans and advances	466,399	112,732	61,527	109,627	750,285
Retail loans and advances	1,562,494	216,120	97,782	3,275	1,879,671
Total	<u>2,028,893</u>	<u>328,852</u>	<u>159,309</u>	<u>112,902</u>	<u>2,629,956</u>

	As at 31 December 2013 (Audited)				
	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Corporate loans and advance	124,140	26,374	6,890	50	157,454
Retail loans and advances	970,586	199,913	89,304	2,998	1,262,801
Total	<u>1,094,726</u>	<u>226,287</u>	<u>96,194</u>	<u>3,048</u>	<u>1,420,255</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(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 2014 (Unaudited)		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	1,182,802	(651,603)	531,199
Collectively assessed	741,111	(571,026)	170,085
Total	<u>1,923,913</u>	<u>(1,222,629)</u>	<u>701,284</u>

	As at 31 December 2013 (Audited)		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	946,591	(390,928)	555,663
Collectively assessed	702,691	(554,611)	148,080
Total	<u>1,649,282</u>	<u>(945,539)</u>	<u>703,743</u>

Including:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Individually assessed and impaired	<u>1,182,802</u>	<u>946,591</u>
Individually assessed and impaired %	<u>0.52%</u>	<u>0.46%</u>
Fair value of collateral	<u>677,704</u>	<u>562,629</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	NOTES		
Debt securities issued by:			
Corporations		9,901,108	4,984,884
Financial institutions		884,606	111,250
Subtotal		10,785,714	5,096,134
Equity instruments			
— at fair value		57,419	64,200
— at cost	(1)	8,000	8,000
Subtotal		65,419	72,200
Total		10,851,133	5,168,334
Analysed as:			
Listed in Hong Kong		42,471	47,539
Listed outside Hong Kong	(2)	10,800,662	5,112,795
Unlisted		8,000	8,000
Total		10,851,133	5,168,334

Notes:

- (1) The unlisted equity securities of RMB 8 million (31 December 2013: RMB 8 million) 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 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

23. HELD-TO-MATURITY INVESTMENTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Debt securities issued by:		
Public sector and quasi-governments	22,208,557	24,672,542
Corporations	22,706,829	13,763,412
Government	7,647,958	8,011,431
Financial institutions	4,634,169	3,868,643
Subtotal	57,197,513	50,316,028
Less: Collectively assessed allowance for impairment losses	(107,795)	(64,510)
Total	57,089,718	50,251,518

Note: 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 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

24. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

		As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	NOTES		
Debt instruments issued by financial institutions	(1)	24,129,933	26,452,542
Corporate bonds		10,320,038	2,033,170
Financial institution bonds		662,780	762,319
Certificate treasury bonds		—	107,709
Debt securities issued by public sector and quasi-governments		48,127	47,983
Subtotal		35,160,878	29,403,723
Less: Collectively assessed allowance for impairment losses		(680,696)	(658,340)
Total		34,480,182	28,745,383
Analysed as:			
Listed outside Hong Kong	(2)	10,979,345	2,837,162
Unlisted		23,500,837	25,908,221
Total		34,480,182	28,745,383

Notes:

- (1) The debt instruments issued by financial institutions are non-callable before maturity with fixed interest rate and not quoted in active market.
- (2) Debt securities classified as receivables 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 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

25. INTEREST IN AN ASSOCIATE

In 2012, pursuant to CBRC's approval (Yin Jian Fu [2011] No.518), the Bank participated in the establishment of Chongqing Auto Finance Co., Ltd. (重慶汽車金融有限公司, "CAF") and contributed capital of RMB100 million, representing its 20% equity interest in CAF. The voting power of the Bank in CAF. is the same as its equity interest. CAF is incorporated in Chongqing, with registered capital of RMB500 million, and is mainly engaged in auto financing business.

Details of the Group's interests in the associate are as follows:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Cost of investment in the associate:		
Unlisted	100,000	100,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,293	268
	<u>102,293</u>	<u>100,268</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

25. INTEREST IN AN ASSOCIATE — CONTINUED

Summarised financial information of CAF is set out below:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Total assets	1,161,645	564,079
Total liabilities	650,182	62,737
Total equity	511,463	501,342
Profit before tax	12,005	1,626
Net profit	<u>11,463</u>	<u>1,342</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate in the consolidated financial statements:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Net assets of the associate	511,463	501,342
Proportion of the Group's ownership interest	<u>20%</u>	<u>20.00%</u>
Carrying amount of the Group's interest in CAF	<u>102,293</u>	<u>100,268</u>

There are no significant restrictions on the ability of the associate to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

26. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2013	2,750,726	570,521	91,938	299,253	594,618	4,307,056
Additions	145,819	179,330	21,197	130,020	520,321	996,687
Transferred in	462,086	120	—	3,250	(465,456)	—
Transfers to other assets	—	—	—	—	(57,326)	(57,326)
Disposals	(85,925)	(26,511)	(7,757)	(13,052)	—	(133,245)
As at 31 December 2013	3,272,706	723,460	105,378	419,471	592,157	5,113,172
Additions	26,237	14,666	3,528	20,903	359,150	424,484
Transferred in	309,719	80	—	788	(310,587)	—
Transfers to other assets	—	—	—	—	(31,364)	(31,364)
Disposals	(17,957)	(2,361)	(2,305)	(2,793)	—	(25,416)
As at 30 June 2014	3,590,705	735,845	106,601	438,369	609,356	5,480,876
Accumulated depreciation						
As at 1 January 2013	(721,966)	(267,226)	(47,654)	(116,387)	—	(1,153,233)
Charge for the year	(262,986)	(107,232)	(13,629)	(61,090)	—	(444,937)
Disposals	20,007	21,336	6,940	10,926	—	59,209
As at 31 December 2013	(964,945)	(353,122)	(54,343)	(166,551)	—	(1,538,961)
Charge for the period	(137,351)	(60,496)	(7,839)	(37,146)	—	(242,832)
Disposals	5,116	1,353	2,185	2,098	—	10,752
As at 30 June 2014	(1,097,180)	(412,265)	(59,997)	(201,599)	—	(1,771,041)
Carrying amount						
As at 30 June 2014	<u>2,493,525</u>	<u>323,580</u>	<u>46,604</u>	<u>236,770</u>	<u>609,356</u>	<u>3,709,835</u>
As at 31 December 2013	<u>2,307,761</u>	<u>370,338</u>	<u>51,035</u>	<u>252,920</u>	<u>592,157</u>	<u>3,574,211</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

27. GOODWILL

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

During the six months ended 30 June 2014 and the year ended 31 December 2013, based on assessment performed by the Bank, there is no impairment for the goodwill.

28. OTHER ASSETS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Interest receivable	3,649,987	2,844,706
Land use rights	503,433	605,473
Foreclosed assets	119,277	121,706
Intangible assets	46,873	51,208
Prepayment	152,493	99,490
Others	<u>579,719</u>	<u>283,865</u>
Total	<u>5,051,782</u>	<u>4,006,448</u>

29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Deposits from domestic banks	74,846,265	59,466,306
Deposits from other domestic financial institutions	<u>8,795,886</u>	<u>4,090,752</u>
Total	<u>83,642,151</u>	<u>63,557,058</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

30. PLACEMENTS FROM BANKS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Placements from domestic banks	8,169,869	2,448,191
Placements from overseas banks	589,026	339,638
Total	<u>8,758,895</u>	<u>2,787,829</u>

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Principal guaranteed wealth management products	<u>1,040,000</u>	<u>1,040,000</u>

At 30 June 2014, the fair value of these products issued by the Group approximates the contractual amount payable upon maturity to the holders of these products.

There were no significant changes in the Group's credit risk and therefore there were no significant gain or losses attributed to changes in credit risk for those financial liabilities designated at fair value through profit or loss during the six-month period ended 30 June 2014 and the year ended 31 December 2013.

32. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Analyzed by collateral type:		
Bonds	39,304,651	34,870,963
Bills	6,889,920	2,369,673
Total	<u>46,194,571</u>	<u>37,240,636</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

33. DUE TO CUSTOMERS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Demand deposits		
Corporate customers	75,507,491	71,788,827
Individual customers	76,318,489	71,691,531
Time deposits		
Corporate customers	20,778,083	12,442,809
Individual customers	213,206,567	186,948,749
Pledged deposits (Note)	9,184,846	4,923,462
Others(Including outward remittance and remittance outstanding)	92,696	88,035
Total	<u>395,088,172</u>	<u>347,883,413</u>

Note: Analyzed by products for which deposit is required:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Acceptances	6,318,579	3,164,133
Loans and receivables	1,917,872	1,658,231
Letters of credit	63,049	23,104
Letters of guarantee	37,404	49,328
Others	847,942	28,666
Total	<u>9,184,846</u>	<u>4,923,462</u>

34. ACCRUED STAFF COSTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Salaries, bonuses and allowances	1,040,853	1,498,861
Supplementary retirement benefits (1)	1,146,395	1,024,560
Early retirement benefits (2)	421,476	436,840
Labor union fees and staff education expenses	125,667	111,543
Total	<u>2,734,391</u>	<u>3,071,804</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

34. ACCRUED STAFF COSTS — CONTINUED

Notes:

(1) Supplementary retirement benefits

The Group sponsors unfunded 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. (韜睿惠悅管理諮詢(深圳)有限公司), an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

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

	As at 30 June 2014	As at 31 December 2013
Discount rate	4.00%	5.00%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiary	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003	

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

34. ACCRUED STAFF COSTS — CONTINUED

Notes: — continued

(1) Supplementary retirement benefits — continued

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Service cost:		
— Past service cost	60,300	144,730
Net interest expense	24,610	36,890
Components of supplementary retirement benefit costs recognised in profit or loss	84,910	181,620
Re-measurement on the net defined benefit liability included in staff costs:		
— Actuarial gain arising from changes in financial assumptions	51,180	(61,830)
Components of supplementary retirement benefit cost recognised in other comprehensive income	51,180	(61,830)
Total	136,090	119,790

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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accrued staff costs		
— supplementary retirement benefit	1,146,395	1,024,560

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

34. ACCRUED STAFF COSTS — CONTINUED

Notes: — continued

(1) Supplementary retirement benefits — continued

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Defined benefit obligation at beginning of the period	1,024,560	981,450
Interest cost	24,610	36,890
(Gain)/loss arising from re-measurement on the defined benefit liability:		
— Actuarial gain arising from changes in financial assumptions	51,180	(61,830)
Past service cost	60,300	144,730
Benefits paid	(14,255)	(76,680)
Defined benefit obligation at end of the period	<u>1,146,395</u>	<u>1,024,560</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 2014, the Group recognised RMB 16 million (2013: RMB 72 million) as staff costs and paid RMB 31 million (2013: RMB 114 million) in respect of the early retirement benefits plan.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

35. DEBT SECURITIES ISSUED

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Subordinated bonds issued	<u>7,300,000</u>	<u>2,300,000</u>

As approved by the PBOC and CBRC, the Bank issued callable subordinated fixed rate bonds of RMB 5,000 million on 19 June 2014.

The subordinated fixed rate bonds issued in June 2014 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.

As approved by the PBOC and CBRC, the Bank issued callable subordinated fixed rate bonds of RMB 2,300 million on 29 December 2009.

The subordinated fixed rate bonds issued in December 2009 have a maturity of 10 years, with a fixed coupon rate of 5.5%, payable annually. The Bank has an option to redeem all of the bonds at par value on 30 December 2014. If the Bank does not exercise this option, the coupon rate of the bonds will increase by 3% to 8.5% per annum from 30 December 2014 for the next five years.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

36. DEFERRED TAXATION

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

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

	Allowances of impairment losses	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Government grant	Interest income/ expense	Fair value changes of net assets including (debt securities investment property and equipment and other assets relating to acquisition of business	Total
As at 1 January 2014	1,213,360	109,210	372,259	438	91,024	—	—	80,612	1,866,903
(Charge)/Credit to profit or loss	67,478	(3,841)	(111,862)	(21)	(71,940)	23,782	—	(7,971)	(104,375)
Charge to other comprehensive income	—	12,795	—	—	(49,626)	—	—	—	(36,831)
As at 30 June 2014 (Unaudited)	<u>1,280,838</u>	<u>118,164</u>	<u>260,397</u>	<u>417</u>	<u>(30,542)</u>	<u>23,782</u>	<u>—</u>	<u>72,641</u>	<u>1,725,697</u>
As at 1 January 2013	987,249	124,332	287,323	555	4,580	—	(43,481)	95,987	1,456,545
(Charge)/Credit to profit or loss	226,111	(10,530)	84,936	(117)	45,516	—	43,481	(15,375)	374,022
Charge to other comprehensive income	—	(4,592)	—	—	40,928	—	—	—	36,336
As at 31 December 2013	<u>1,213,360</u>	<u>109,210</u>	<u>372,259</u>	<u>438</u>	<u>91,024</u>	<u>—</u>	<u>—</u>	<u>80,612</u>	<u>1,866,903</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

37. OTHER LIABILITIES

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Interest payable	3,925,164	3,666,150
Dividends payable	1,740,784	22,734
Settlement accounts	541,752	123,691
Business and other tax payables	336,822	300,778
Deferred income	113,655	101,985
Provision	1,668	1,750
Other payables	1,493,319	2,292,803
Total	<u>8,153,164</u>	<u>6,509,891</u>

38. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 1 January 2013 and 31 December 2013 (Audited)	<u>9,300,000</u>	<u>9,300,000</u>
As at 30 June 2014 (Unaudited)	<u>9,300,000</u>	<u>9,300,000</u>

39. CAPITAL RESERVE

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

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

40. INVESTMENT REVALUATION RESERVE

	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
As at 1 January 2013	(17,548)	4,387	(13,161)
Losses on fair value changes of available-for-sale financial assets	(173,664)	43,416	(130,248)
Amount reclassified to the profit or loss upon disposal of available-for- sale financial assets	9,952	(2,488)	7,464
As at 31 December 2013	(181,260)	45,315	(135,945)
Gains on fair value changes of available-for-sale financial assets	199,287	(49,822)	149,465
Amount reclassified to the profit or loss upon disposal of available-for-sale sale financial assets	(783)	196	(587)
As at 30 June 2014	17,244	(4,311)	12,933

41. SURPLUS RESERVE

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

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the 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 losses of the Bank, if any, and may be converted into capital.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

42. 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 losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

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

During the six months ended 30 June 2014, the Group transferred RMB 874 million to general and regulatory reserve pursuant to regulatory requirement in the PRC (Six months ended 30 June 2013: RMB 2,649 million).

43. 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 2014 (Unaudited)	As at 30 June 2013 (Audited)
Cash	3,388,331	3,182,080
Balances with central bank	5,926,547	7,889,722
Deposits with banks and other financial institutions	15,883,506	17,323,443
Placements with banks and other financial institutions	32,349,711	3,737,851
Financial assets held under resale agreements	3,169,346	6,891,654
Total	<u>60,717,441</u>	<u>39,024,750</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

44. SEGMENT ANALYSIS

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

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

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

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

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

Operating Segment

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

44. SEGMENT ANALYSIS — CONTINUED

	Six months ended 30 June 2014 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	4,529,023	3,172,356	8,237,841	15,939,220	—	15,939,220
External interest expense	(625,896)	(3,328,529)	(3,134,128)	(7,088,553)	—	(7,088,553)
Inter-segment interest (expense) income	(716,927)	2,979,145	(2,262,218)	—	—	—
Net interest income	3,186,200	2,822,972	2,841,495	8,850,667	—	8,850,667
Fee and commission income	118,403	171,362	135,173	424,938	—	424,938
Fee and commission expense	(3,804)	(20,507)	(2,791)	(27,102)	—	(27,102)
Net fee and commission income	114,599	150,855	132,382	397,836	—	397,836
Net trading gain	—	—	205,800	205,800	—	205,800
Share of profits less losses of associates	—	—	—	—	2,024	2,024
Other operating income, net	—	—	2,276	2,276	22,337	24,613
Operating income	3,300,799	2,973,827	3,181,953	9,456,579	24,361	9,480,940
Operating expenses	(1,577,991)	(1,194,355)	(1,016,256)	(3,788,602)	—	(3,788,602)
Impairment on assets	(696,651)	(176,524)	(47,032)	(920,207)	—	(920,207)
Net losses on disposal of available- for-sale financial assets	—	—	783	783	—	783
Profit before tax	1,026,157	1,602,948	2,119,448	4,748,553	24,361	4,772,914
Income tax expense						(1,171,232)
Profit for the period						3,601,682
Depreciation and amortization included in operating expenses	116,408	85,428	68,881	270,717	—	270,717
Capital expenditure	236,233	173,365	139,783	549,381	—	549,381
As at 30 June 2014 (Unaudited)						
Segment assets	129,597,338	87,901,627	370,453,796	587,952,761	6,528,260	594,481,021
Segment liabilities	107,128,410	292,411,689	154,156,589	553,696,688	1,949,853	555,646,541
Supplementary information						
Credit commitments	10,225,350	3,075,435	—	13,300,785	—	13,300,785

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

44. SEGMENT ANALYSIS — CONTINUED

	Six months ended 30 June 2013 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	4,054,242	2,397,516	6,450,998	12,902,756	—	12,902,756
External interest expense	(491,269)	(2,745,862)	(2,073,182)	(5,310,313)	—	(5,310,313)
Inter-segment interest (expense) income	(802,624)	2,663,007	(1,860,383)	—	—	—
Net interest income	2,760,349	2,314,661	2,517,433	7,592,443	—	7,592,443
Fee and commission income	103,734	134,209	89,069	327,012	—	327,012
Fee and commission expense	(2,023)	(20,175)	(1,770)	(23,968)	—	(23,968)
Net fee and commission income	101,711	114,034	87,299	303,044	—	303,044
Net trading gain	—	—	38,241	38,241	—	38,241
Other operating income, net	—	—	6,825	6,825	22,759	29,584
Operating income	2,862,060	2,428,695	2,649,798	7,940,553	22,759	7,963,312
Operating expenses	(1,489,593)	(941,353)	(829,607)	(3,260,553)	—	(3,260,553)
Impairment on assets	(425,933)	(34,337)	(3,430)	(463,700)	—	(463,700)
Net losses on disposal of available- for-sale financial assets	—	—	(8)	(8)	—	(8)
Profit before tax	946,534	1,453,005	1,816,753	4,216,292	22,759	4,239,051
Income tax expense						(1,019,364)
Profit for the period						3,219,687
Depreciation and amortization included in operating expenses	102,797	65,489	57,179	225,465	—	225,465
Capital expenditure	193,555	123,308	107,663	424,526	—	424,526
As at 31 December 2013 (Audited)						
Segment assets	116,706,314	81,954,111	297,139,355	495,799,780	6,646,192	502,445,972
Segment liabilities	93,100,082	262,953,512	108,397,557	464,451,151	1,105,516	465,556,667
Supplementary information						
Credit commitments	6,026,090	2,261,078	—	8,287,168	—	8,287,168

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 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

45. RELATED PARTY TRANSACTIONS

Related parties of the Group

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

	Percentage of shares hold of the Bank	
	As at 30 June 2014 %	As at 31 December 2013 %
Name of shareholders	(Unaudited)	(Audited)
Chongqing Yufu Assets Management Group Company Limited	6.77	6.77
Chongqing City Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

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

For the six months ended 30 June 2014, 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 2013: not material).

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

45. RELATED PARTY TRANSACTIONS — CONTINUED

Related parties of the Group — continued

	Interest income For the six months ended 30 June		Interest expense For the six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Shareholders of the Bank	91,980	81,590	559	324
Other related parties	97,774	58,203	8,209	7,043

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 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Shareholders of the Bank	2,956,200	2,691,500	292,669	543,065
Other related parties	2,869,145	2,755,469	2,641,737	2,329,014

	Loans and advances from related parties		Interest payable to related parties	
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Shareholders of the Bank	5,668	5,209	34	64
Other related parties	6,025	5,614	538	5,548

As of 30 June 2014, RMB 2,000 million included in debt securities classified as receivables were trust loan to a shareholder of the Bank (31 December 2013: 1,335 million, and fully repaid upon maturity during the six months ended 30 June 2014).

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

45. RELATED PARTY TRANSACTIONS — CONTINUED

Transactions between the Group and its associate

The Group may enter into various transactions with its associate. Transactions are made at arm's length and in its ordinary course of business. In the opinion of the directors, there are no material transactions or balances between the Group and its associate, and accordingly such information are not included herein.

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 2014 and 30 June 2013, 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	
	2014 (Unaudited)	2013 (Unaudited)
Basic salaries, bonuses and allowances	9,482	8,601
Contribution to pension schemes	914	685
Fees	690	690
Total	<u>11,086</u>	<u>9,976</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2014 and 31 December 2013, provisions of RMB 1.75 million and RMB 2.22 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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Contracted but not provided for	628,397	546,768
Authorised but not contracted for	595,057	640,952
Total	<u>1,223,454</u>	<u>1,187,720</u>

Credit commitments

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Acceptances	10,012,171	5,807,724
Undrawn credit card limit	3,075,435	2,261,078
Letters of credit issued	95,211	93,798
Letters of guarantee	117,968	124,568
Total	<u>13,300,785</u>	<u>8,287,168</u>

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Credit commitments	3,940,930	2,939,002

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

Operating lease commitment

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 1 year	40,598	42,328
1 to 2 years	29,518	31,482
2 to 3 years	29,757	22,411
3 to 4 years	17,433	17,025
4 to 5 years	13,681	11,479
Above 5 years	31,428	30,850
Total	162,415	155,575

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

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

46. CONTINGENT LIABILITIES AND COMMITMENTS — CONTINUED

Collateral

Assets pledged

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Bonds	45,046,000	36,862,005
Bills	7,007,052	2,358,808
Total	<u>52,053,052</u>	<u>39,220,813</u>

As at 30 June 2014 and 31 December 2013, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB 46,195 million and 37,241 million, respectively.

Collateral accepted

Bills and other documents received as collateral can be resold or re-pledged in connection with bills and other documents purchased under resale agreements. The fair value of these collaterals accepted by the Group is RMB 14,928 million as at 30 June 2014 (31 December 2013: RMB14,649 million). The fair value of collaterals sold under repurchase agreement or re-pledged by the Group is RMB 6,963 million as at 30 June 2014 (31 December 2013: 2,401million).

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT

(1) Overview

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

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

The major risks of the Group include credit risk, market risk and liquidity risk. And the 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 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (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 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS — CONTINUED

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

As at 30 June 2014 and 31 December 2013, 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
As at 30 June 2014 (Unaudited)				
Financial assets held for trading				
— Debt securities issued by:				
Corporations	—	1,346,224	—	1,346,224
Financial institutions	—	517,145	—	517,145
Financial assets designated as at fair value through profit or loss				
— Principal guaranteed wealth management products	—	1,040,000	—	1,040,000
— Unlisted debt instruments issued by financial institutions	—	11,339,887	10,542,258	21,882,145
Available-for-sale financial assets				
— Listed equity securities issued by entities in the following business:				
— Retail and wholesale	14,948	—	—	14,948
— Financial institutions	42,471	—	—	42,471
— Debt securities issued by:				
— Corporations	—	9,901,108	—	9,901,108
— Financial institutions	—	884,606	—	884,606
Financial liabilities designated as at fair value through profit or loss				
— Principal guaranteed wealth management products	—	1,040,000	—	1,040,000
Derivative financial instruments				
— Derivative financial assets	—	1,735	—	1,735
— Derivative financial liabilities	—	1,457	—	1,457

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS — CONTINUED

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

	Level 1	Level 2	Level 3	Total
As at 31 December 2013 (Audited)				
Financial assets held for trading				
— Debt securities issued by:				
Corporations	—	2,502,116	—	2,502,116
Financial institutions	—	188,878	—	188,878
Financial assets designated as at fair value through profit or loss				
— Principal guaranteed wealth management products	—	1,040,000	—	1,040,000
— Unlisted debt instruments issued by financial institutions	—	18,087,488	—	18,087,488
Available-for-sale financial assets				
— Listed equity securities issued by entities in the following business:				
— Retail and wholesale	16,662	—	—	16,662
— Financial institutions	47,538	—	—	47,538
— Debt securities issued by:				
— Corporations	—	4,984,884	—	4,984,884
— Financial institutions	—	111,250	—	111,250
Financial liabilities designated as at fair value through profit or loss				
— Principal guaranteed wealth management products	—	1,040,000	—	1,040,000
Derivative financial instruments				
— Derivative financial assets	—	455	—	455
— Derivative financial liabilities	—	239	—	239

There were no significant transfers between Level 1 and 2 for the six months ended 30 June 2014 and the year ended 31 December 2013.

Notes To The Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS — CONTINUED

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

The tables below summarize 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, deposits with banks and other financial institutions, placements with banks and other financial institutions, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and financial assets sold under repurchase agreements are not included in the tables below.

	As at 30 June 2014 (Unaudited)		As at 31 December 2013 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	218,588,970	218,696,859	198,150,565	198,483,105
Held-to-maturity investments	57,089,718	56,225,383	50,251,518	47,441,759
Debt securities classified as receivables	34,480,182	35,286,662	28,745,383	28,677,996
Financial assets held under resale agreements	69,285,471	70,164,135	70,828,936	71,027,508
Total	379,444,341	380,373,039	347,976,402	345,630,368
Financial liabilities				
Due to customers	395,088,172	395,505,308	347,883,413	348,359,567
Debt securities issued	7,300,000	7,387,926	2,300,000	2,255,051
Total	402,388,172	402,893,234	350,183,413	350,614,618

49. EVENT AFTER THE REPORTING PERIOD

On 31 July 2014, the Bank received Approval on the establishment of CQRC Financial Leasing Co., Ltd. ("CQRC Financial Leasing") from the China Banking Regulatory Commission. The registered capital of CQRC Financial Leasing is RMB2.5 billion. The Bank holds 68% of the outstanding shares issued by CQRC Financial Leasing.

Unaudited Supplementary Financial Information

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

LOANS AND ADVANCES TO CUSTOMERS (CONTRACTUAL AMOUNT)

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

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

	As at June 30 2014	As at December 31 2013
Corporate loans and advances		
— Loans	129,702.4	117,853.8
— Discounted bills	4,443.2	1,508.1
— Trade financing	1,494.7	962.8
Subtotal	135,640.3	120,324.7
Retail loans and advances		
— Residential mortgage and personal commercial property loans	45,729.1	46,279.7
— Loans to private business and re-employment loans	33,289.0	28,854.7
— Credit card	2,366.9	2,099.8
— Others	9,619.5	7,693.6
Subtotal	91,004.5	84,927.8
Total loans and advances to customers	226,644.8	205,252.5
Allowance for impairment losses	(8,055.8)	(7,101.9)
Include: Individually assessed	(651.6)	(390.9)
Collectively assessed	(7,404.2)	(6,711.0)
Loans and advances to customers, net	218,589.0	198,150.6

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

LOANS AND ADVANCES TO CUSTOMERS (CONTRACTUAL AMOUNT) — CONTINUED

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

	Loans and advances for which allowance is collectively assessed ^(a)	Identified impaired loans and advances ^(b)			Total	Identified impaired loans and advances as a % of total loans and advances
		For which allowance is collectively assessed	For which Allowance is Individually assessed	Sub-total		
As at 30 June 2014						
Gross loans and advances	224,720.9	741.1	1,182.8	1,923.9	226,644.8	0.85
Allowance for impairment losses	(6,833.2)	(571.0)	(651.6)	(1,222.6)	(8,055.8)	
Loans and advances to customers, net	<u>217,887.7</u>	<u>170.1</u>	<u>531.2</u>	<u>701.3</u>	<u>218,589.0</u>	
As at 31 December 2013						
Gross loans and advances	203,603.2	702.7	946.6	1,649.3	205,252.5	0.80
Allowance for impairment losses	(6,156.4)	(554.6)	(390.9)	(945.5)	(7,101.9)	
Loans and advances to customers, net	<u>197,446.8</u>	<u>148.1</u>	<u>555.7</u>	<u>703.8</u>	<u>198,150.6</u>	

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

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

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

LOANS AND ADVANCES TO CUSTOMERS (CONTRACTUAL AMOUNT) — CONTINUED

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

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2014	390.9	6,711.0	7,101.9
Charge for the period	293.2	2,484.4	2,777.6
Reversal for the period	(33.1)	(1,871.3)	(1,904.4)
Recovery of loans and advances written off in previous years	25.5	90.4	115.9
Unwinding of discount on allowance	(24.9)	(10.3)	(35.2)
As at 30 June 2014	651.6	7,404.2	8,055.8

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2013	497.6	5,446.8	5,944.4
Charge for the year	205.9	5,070.4	5,276.3
Reversal for the year	(376.0)	(3,926.9)	(4,302.9)
Written off	(22.3)	(77.4)	(99.7)
Recovery of loans and advances written off in previous years	113.8	206.5	320.3
Unwinding of discount on allowance	(28.1)	(8.4)	(36.5)
As at 31 December 2013	390.9	6,711.0	7,101.9

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIOS

(Expressed in percentage)

	As at 30 June 2014	As at 31 December 2013
RMB current assets to RMB current liabilities	<u>31.60</u>	<u>33.98</u>
Foreign currency current assets to foreign currency current liabilities	<u>91.68</u>	<u>50.51</u>

CORE LIABILITIES RATIOS

(Expressed in percentage)

	As at 30 June 2014	As at 31 December 2013
Core liabilities ratios	<u>60.11</u>	<u>57.54</u>

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

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 30 June 2014				
Spot assets	3,975.9	940.7	31.8	4,948.4
Spot liabilities	(3,812.1)	(792.1)	(31.4)	(4,635.6)
Forward purchases	103.7	—	—	103.7
Forward sales	(128.3)	—	—	(128.3)
Net position	<u>139.2</u>	<u>148.6</u>	<u>0.4</u>	<u>288.2</u>

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2013				
Spot assets	1,687.3	372.6	27.2	2,087.1
Spot liabilities	(1,168.1)	(364.1)	(11.3)	(1,543.5)
Forward purchases	85.5	—	—	85.5
Forward sales	(85.5)	—	—	(85.5)
Net position	<u>519.2</u>	<u>8.5</u>	<u>15.9</u>	<u>543.6</u>

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

CROSS-BORDER CLAIMS

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

Cross-border claims mainly include balances with banks.

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

	Banks	Total
As at 30 June 2014		
Asia Pacific excluding Mainland China	64.7	64.7
— of which attributed to Hong Kong	63.5	63.5
Europe	21.3	21.3
North America	51.0	51.0
Total	137.0	137.0

	Banks	Total
As at 31 December 2013		
Asia Pacific excluding Mainland China	16.0	16.0
— of which attributed to Hong Kong	16.0	16.0
Europe	8.2	8.2
North America	15.3	15.3
Total	39.5	39.5

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

OVERDUE ASSETS

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

	As at 30 June 2014	As at 31 December 2013
Below 3 months (inclusive)	2,664.1	1,544.3
Between 3 and 6 months	265.8	102.6
Between 6 and 12 months	268.9	94.6
Over 12 months	767.5	781.5
Total	3,966.3	2,523.0
Percentage		
Below 3 months (inclusive)	1.17	0.75
Between 3 and 6 months	0.12	0.05
Between 6 and 12 months	0.12	0.05
Over 12 months	0.34	0.38
Total	1.75	1.23

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

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF GEOGRAPHICAL SEGMENTS

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

	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	1,643.6	7,207.1	8,850.7	1,334.1	6,258.4	7,592.5
Net fee and commission income	91.5	306.3	397.8	92.1	210.9	303.0
Net trading gain	—	205.8	205.8	—	38.2	38.2
Share of profits less losses of associates	—	2.0	2.0	—	—	—
Other operating income, net	17.6	7.0	24.6	18.7	10.9	29.6
Total operating income	1,752.7	7,728.2	9,480.9	1,444.9	6,518.4	7,963.3
Internal transfer of income and expense	2,934.9	(2,934.9)	—	2,594.6	(2,594.6)	—
Income after adjustment	<u>4,687.6</u>	<u>4,793.3</u>	<u>9,480.9</u>	<u>4,039.5</u>	<u>3,923.8</u>	<u>7,963.3</u>

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of ten subsidiaries, namely Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司), Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司), Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司), Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司), Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司) and the information of Qujing Branch.

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2014

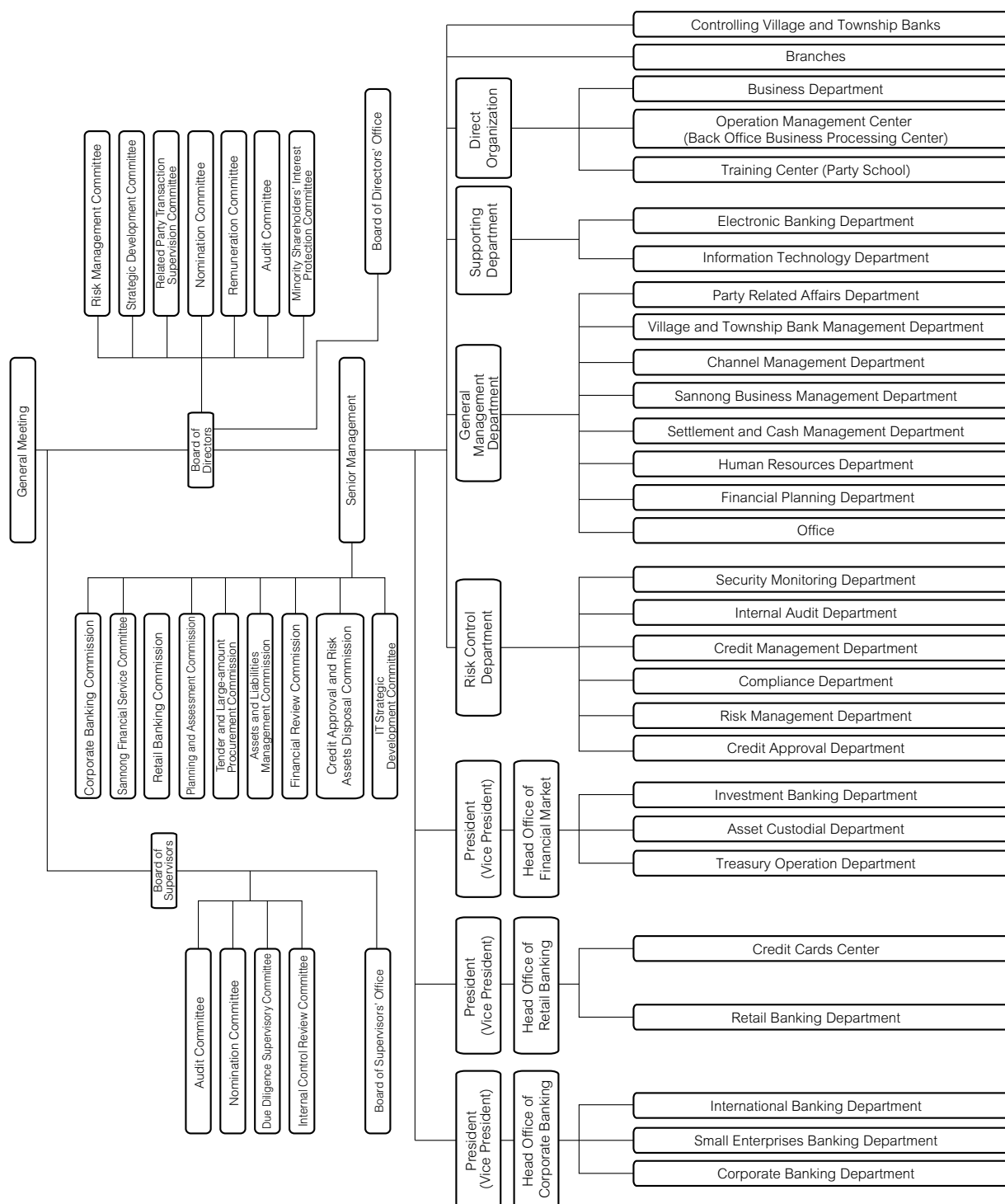
(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF GEOGRAPHICAL SEGMENTS — CONTINUED

(Expressed in percentage)	As at 30 June 2014		As at 31 December 2013	
	County Area	Urban Area	County Area	Urban Area
Deposits	67.32	32.68	68.01	31.99
Loans	52.67	47.33	52.60	47.40
Assets	45.87	54.13	47.77	52.23
Loan-deposit ratio	44.88	83.09	45.63	87.43
Non-performing loan ratio	1.36	0.28	1.30	0.25
Allowance to non-performing loans ratio	283.47	1,161.52	385.36	704.41

(Expressed in percentage)	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.25	1.37	1.34	1.46
Net fee and commission income to operating income	1.95	6.39	2.28	5.37
Cost-to-income ratio	39.87	27.02	40.10	28.97

Organisation Chart



Definitions

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

“Bank”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
“Banking Regulatory Commission Chongqing Bureau”	China Banking Regulatory Commission Chongqing Regulatory Bureau (中國銀行業監督管理委員會重慶監管局)
“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 the 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\$” 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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Listing”	the listing of H shares on the Main Board of the Hong Kong Stock Exchange
“spot checks”	the special inspection team of the headquarters conducted spot checks of operating risks on grass-roots business outlets
“high pollution, high energy consumption and excess capacity (「兩高一剩」)”	industries with high pollution, high energy consumption and excess capacity

“Two Minimum Thresholds”	the growth of releasing loans to small-sized enterprises must not be lower than the average growth in all loans, the growth in amount must not be less than that of the preceding year
“PBOC”, “central bank”	the People’s Bank of China
“rural commercial bank”	a short-hand reference to rural and commercial bank (農村商業銀行)
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
“Three-Transformation”	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
“three profound changes”	profound changes of establishing on market positioning, facilitating profound change of business structure; persisting the direction of reform, facilitating profound change of management model; highlighting pragmatism and innovation, facilitating profound change in work style
“improvement of the four categories of capabilities”	improvement of the four categories of capabilities of “management, service, coordination and team”
“village and township banks”	bank institutions 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 (五大功能區域)”	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).
“three lines”	three business headquarters of corporate finance, retail finance and finance market of Chongqing Rural Commercial Bank Co., Ltd
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)