1951–2011

中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

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

Stock Code: 1288

1951—2011

60th Anniversary

Agricultural Bank of China Limited

2011 Interim Report

Contents

Basic Corporate Information

Legal name in Chinese and abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English and abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	XIANG Junbo
Authorized representatives	ZHANG Yun LI Zhenjiang
Board Secretary and Company Secretary	LI Zhenjiang Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 Fax: 86-10-85108557 E-mail: ir@abchina.com
Registered office address and postal code	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC 100005
Internet website	www.abchina.com
Principal place of business in Hong Kong	23/F, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong
Selected newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of the Shanghai Stock Exchange publishing the interim report (A share)	www.sse.com.cn
Website of the Hong Kong Stock Exchange publishing the interim report (H share)	www.hkexnews.hk
Location where copies of the interim report (A share) are kept	Office of the Board

Listing exchange of A shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC)
Listing exchange of H shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Room 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Date of registration modification and registration authority	22 April 2011 State Administration for Industry and Commerce, PRC
Corporate business license registration No.	100000000005472
Organizational code	10000547-4
Financial license registration No.	B0002H111000001
Tax registration certificate No.	Jing Shui Zheng Zi 110108100005474
Name and address of domestic legal advisor	King & Wood PRC Lawyers 40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing
Name and address of Hong Kong legal advisor	Freshfields Bruckhaus Deringer 11/F, Two Exchange Square, Central, Hong Kong
Name and address of domestic auditor	Deloitte Touche Tohmatsu CPA Ltd. 30/F, No. 222, Yan An East Road, Shanghai
Name and address of international auditor	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong

Financial Highlights

(Financial data and indicators included in this interim report are prepared in accordance with International Financial Reporting Standards (IFRS) and denominated in RMB, unless otherwise stated).

The consolidated financial information of the Group for the six months ended 30 June 2011 is set out below:

Major Financial Data

	30 June 2011	31 December 2010	31 December 2009
AT THE END OF THE REPORTING PERIOD (in millions of RMB)			
Total assets	11,461,784	10,337,406	8,882,588
Loans and advances to customers, net	5,187,987	4,788,008	4,011,495
Investment securities and other financial assets, net	2,546,756	2,527,431	2,616,672
Total liabilities	10,872,275	9,795,170	8,539,663
Deposits from customers	9,706,587	8,887,905	7,497,618
Equity attributable to equity holders of the Bank	589,332	542,071	342,819

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
INTERIM OPERATING RESULTS (in millions of RMB)			
Net interest income	144,730	111,708	242,152
Net fee and commission income	37,136	22,459	46,128
Operating expenses	71,273	58,468	128,107
Provisions for impairment losses on assets	27,697	19,623	43,412
Net profit	66,679	45,863	94,907
Net profit attributable to equity holders of the Bank	66,667	45,840	94,873
Net cash generated from/(used in) operating activities	381,494	172,837	(89,878)

Financial Indicators

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
PROFITABILITY (%)			
Return on average total assets[1]	1.22*	0.99*	0.99
Return on weighted average net assets[2]	23.56*	25.10*	22.49
Net interest margin[3]	2.79*	2.47*	2.57
Net interest spread[4]	2.70*	2.41*	2.50
Return on risk-weighted assets[5]	2.22*	1.77*	1.76
Ratio of net fee and commission income to operating income	20.11	16.50	15.78
Cost-to-income ratio[6]	33.08	37.45	38.53
DATA PER SHARE (RMB Yuan)			
Basic earnings per share[2]	0.21	0.17	0.33
Net cash per share generated from operating activities	1.17	0.64	(0.28)

	30 June 2011	31 December 2010	31 December 2009
ASSET QUALITY (%)			
Non-performing loan ratio[7]	1.67	2.03	2.91
Allowance to non-performing loans ratio[8]	217.58	168.05	105.37
Allowance to total loans ratio[9]	3.64	3.40	3.06
CAPITAL ADEQUACY (%)			
Core capital adequacy ratio[10]	9.36	9.75	7.74
Capital adequacy ratio[10]	11.91	11.59	10.07
Total equity to total assets ratio	5.14	5.25	3.86
Risk-weighted assets to total assets ratio	52.51	52.08	49.23
DATA PER SHARE (RMB Yuan)			
Net assets per share attributable to equity holders of the Bank	1.81	1.67	1.32

Notes:
1. *Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period.*
2. *Calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No.9 — Computation and Disclosure of Return on Net Assets and Earnings per Share" (Revision in 2010) issued by the CSRC.*
3. *Calculated by dividing net interest income by average balance of interest-earning assets.*
4. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*
5. *Calculated by dividing net profit by risk-weighted assets at the end of the reporting period (including market risk capital adjustment). The risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.*
6. *Calculated by dividing operating expenses (excluding business tax and surcharges) by operating income.*
7. *Calculated by dividing the balance of non-performing loans by total amount of loans and advances to customers.*
8. *Calculated by dividing allowance for impairment losses on loans and advances to customers by balance of non-performing loans.*
9. *Calculated by dividing allowance for impairment losses on loans and advances to customers by total amount of loans and advances to customers.*
10. *Calculated in accordance with the relevant regulations of the CBRC.*

* *Indicates annualized data*

Other Financial Indicators

		Regulatory Standard	30 June 2011	31 December 2010	31 December 2009
Liquidity ratio (%)[1]	RMB	≥25	42.44	38.36	40.99
	Foreign Currency	≥25	115.82	127.03	122.54
Loan-to-deposit ratio (%)[2]	RMB and Foreign Currency	≤75	55.47	55.77	55.19
Percentage of loans to the largest single customer (%)[3]		≤10	3.00	3.18	4.41
Percentage of loans to top ten customers (%)[4]			16.53	18.45	22.47
Loan migration ratio (%)[5]	Normal		0.98	3.10	5.00
	Special mention		1.51	4.15	6.51
	Substandard		9.83	24.34	39.33
	Doubtful		3.41	5.26	5.83

Notes:
1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBRC.*
2. *Calculated by dividing the total amount of loans and advances to customers by balance of deposits from customers.*
3. *Calculated by dividing loans to the largest single customer by net capital base.*
4. *Calculated by dividing loans to top ten customers by net capital base.*
5. *Calculated in accordance with the relevant regulations of the CBRC and based on domestic data.*

In the middle of 2011, we celebrated the 60th anniversary of the Agricultural Bank of China as well as the 1st anniversary of the Bank's public listing. We have become a large publicly listed bank, which marked a substantial step towards a leading large listed bank. During the year, we have fulfilled the commitments made to our domestic and overseas investors at the time of our listing by achieving significant growth in operating results and maintaining dividend payments. Our investment potential has been fully recognized by investors and the overall performance of our shares in the capital markets has been satisfactory in light of market conditions. We rank among the leading banks globally in terms of market capitalization.

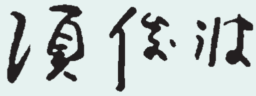
In the first half of 2011, we made progress towards our new goal of becoming a leading large listed bank; we further improved our ability to create value, our market competitiveness and our risk control capability. We achieved significant improvements in various financial indicators. At the end of June, our total assets reached RMB11.46 trillion, representing an increase of 10.9% compared to the end of the previous year. Our net profit for the period was RMB66,679 million, representing an increase of 45.4% compared to the same period of the previous year. Our annualized return on average total assets was 1.22%, representing an increase of 0.23 percentage point compared to the same period of the previous year. Our annualized return on weighted average net assets was 23.56%. At the end of June, the balance of non-performing loans decreased by RMB10,357 million, the non-performing loan ratio decreased by 0.36 percentage point to 1.67% and the allowance to non-performing loans ratio increased by 49.53 percentage points to 217.58% compared to the end of the previous year.

Given the government's goal of "ensuring significant progress on changing the patterns of economic development", we are able to take advantage of the fact that our strategy is aligned with the development strategy of China. We advanced our strategy both in the County Area as well as our major urban branches. We benefited enormously from being the market leading bank in the County Area and broadened the range of financial services we offered our customers. At the end of June, loans to customers in the County Area amounted to RMB1,668,445 million, representing an increase of 10.8% compared to the end of the previous year; and the profit before tax for the first half of the year for the County Area Banking Business amounted to RMB25,930 million, representing an increase of 78.6% compared to the same period of the previous year. We further consolidated our leading position in the Urban Areas by implementing operational changes and heavily promoting the business development of major urban branches. We have strengthened and improved our market competitiveness and achieved outstanding performance. We have built on our differentiated market position to grow our business and generate strong returns for our shareholders.

To ensure the sustainability of our development, we have strengthened our internal management and processes to improve our service efficiency and internal control standards, corporate governance, operational management, risk management, performance management, information technology and personnel management.

Leveraging on the strong support of our customers and dedication of our staff, Agricultural Bank of China has become one of the most well-known financial institutions in China. I hereby, on behalf of the Board of Agricultural Bank of China, express my sincere gratitude to everyone for your support, which contributed to the Bank's great success.

Building on the 60 years of operating history and the remarkable achievements that followed, we will endeavor to achieve more profound success and new breakthroughs; and more importantly, to become a leading large listed bank.



Chairman: XIANG Junbo
25 August 2011

In the first half of 2011, we were presented with a complex and ever-changing domestic and overseas financial market environment. We responded to these challenges by introducing a variety of operational changes and measures to further develop our business in this changing environment. Our operating results maintained their growth momentum which started with the restructuring of the Bank. In the first half of the year, our net profit amounted to RMB66,679 million, representing an increase of 45.4% compared to the same period of the previous year. The return on average total assets increased to 1.22%.

Steady Business Transformation and Income Diversification. At the end of June, our total assets reached RMB11.46 trillion while our deposits and loans increased by RMB818,682 million and RMB427,172 million, respectively. We have been vigorously developing our fee- and commission-based and financial market businesses to optimize and diversify our income structure. In the first half of the year, our net fee and commission income amounted to RMB37,136 million, representing an increase of 65.4% compared to the same period of the previous year and accounting for over 20% of total operating income. The return on our investment in non-restructuring-related debt securities amounted to 3.20%, representing a highly-competitive level compared to our peers. The profitability of our overseas branches improved significantly, increasing by 42.5% compared to the same period of the previous year.

Restructuring Our Loan Composition and Improving Asset Quality. We maintained our prudent approach to our credit business and our lendings increased on a steady basis. We also restructured our loan composition, and continued to strengthen the customer list-based credit management and established credit limits on our exposure to certain industries. In addition, we improved our credit management in other major areas, such as government financing vehicles, real estate and industries with high energy consumption, high pollution or overcapacity. At the end of June, the balance of non-performing loans was RMB90,048 million, representing a decrease of RMB10,357 million over the end of the previous year. Our non-performing loan ratio was 1.67%, a decrease of 0.36 percentage point over the end of the previous year. With the allowance to non-performing loans ratio and the allowance to total loans ratio amounting to 217.58% and 3.64%, respectively, our ability to withstand the credit risks we face was further enhanced.

Coordinating the Development of Urban and County Area Banking Businesses and Continuously Enhancing Our Competitiveness. In the first half of the year, we increased our focus on a coordinated scheme for the development of our businesses in both Urban and County Areas. The deposits and loans in County Area increased by RMB366,470 million and RMB163,159 million compared to the end of the previous year, growing faster than the Bank as a whole by 0.9 percentage point and 2.2 percentage points, respectively. In the first half of the year, we issued 19.88 million Huinong Cards and the total number of such cards issued reached over 80 million. We also launched 146 rural pension insurance schemes and rural cooperative medical insurance projects. In the first half of the year, we have also prioritized the development of our major urban branches and focused on their fast-track development. As a result, their market shares of both the RMB-denominated deposits and income from the fee- and commission-based business increased.

Strengthening the Basics of Management and our Internal Drivers for Growth. In the first half of the year, we steadily implemented a variety of internal changes pursuant to a campaign called "Year for Further Improvement of the Basics of Management". We further enhanced our operational management systems and achieved strong progress in the centralized back-office operations, centralized monitoring system and centralized authorization projects. Our Document Center for International Settlement commenced operation this year. The development of our new-generation core banking system (BoEing) achieved satisfactory progress. The initial organizational structure for our private banking department was completed. Various new channels developed steadily with electronic transactions accounting for 61.5% of our total transactions this year. We also progressed with our reform of positions for our staff and related remuneration levels. We successfully launched the third phase of our Financial Management System, which will lay the foundation for a multi-dimensional management approach by department, product and customer. We had also successfully completed the first phase of our Internal Rating — Based project.

In the second half of the year, in accordance with the strategic targets laid out by the Board, we will continue to capitalize on the complex and fluctuating economic development in our markets and stay at the forefront of the commercialization, integration, globalization and information development trends in the banking industry. We will enhance our management systems and processes, the skills of our management at all levels and internal governance. We will accelerate the growth of our businesses to achieve a high level of business development with corresponding financial results. We will maintain and grow our core competitiveness by capitalizing on our advantages. As a result of all these measures, combined with stringent risk control, we are confident that we will provide investors with outstanding financial performance.

President: ZHANG Yun
25 August 2011

Environment and Prospects

In the first half of 2011, the world economy maintained last year's recovery, although the uncertainties of recovery also increased. The impetus of the United States economic recovery was lower than expected, and the federal deficit and debt situation did not foster optimism. The sovereign debt crisis lingered to haunt the Euro zone. The economy of Japan was severely affected by the disastrous earthquake, tsunami and nuclear leakage which temporarily impacted the global supply chain. Inflationary pressure continued to grow and began to spread from emerging economies to developed ones, which adversely affected the recovery of worldwide consumption and investment demands. In June, the IMF lowered its global economic growth rate estimate for 2011 to 4.3%.

The US dollar was weakened under the influence of the second round of Quantitative Easing (QE2) by the Federal Reserve. The US Dollar Index was 74.42 at the end of June, representing a decrease of 5.7% compared to the end of the previous year. The risk premium for the interests of major financial markets remained stable and the yields of treasury bonds of major economies increased. The MSCI global stock index closed at 341.82, representing an increase of 3.4% over the end of the previous year. The total market capitalization of global stock markets was USD54.1 trillion, representing an increase of 4.2% over the end of the previous year.

In the first half of 2011, the Chinese economy maintained stable and relatively rapid growth, achieving a GDP of RMB20.45 trillion, representing an increase of 9.6% over the same period of the previous year. Due to the government's macroeconomic control policies and business inventory adjustment, economic growth slowed down in the second quarter. The trend of regional economic development continues to experience great changes, and the center of economic growth has gradually shifted towards the central and western regions of China. Commodity prices increased rapidly in the first half of the year. The CPI increased by 5.4% during the first half of the year compared to the same period of the previous year. In June, the CPI reached a 36-month record high of 6.4% compared to the same period of the previous year. The PPI increased by 7.0% during the first half of the year over the same period of the previous year.

Inflationary pressure continued to increase which caused monetary policy control to be intensified. The PBOC had raised interest rates three times and the statutory deposit reserve ratio six times since the beginning of 2011. The statutory deposit reserve ratio for major financial institutions reached a record high of 21.5%. The benchmark interest rates for 1-year deposits and loans sat at 3.50% and 6.56%, respectively. At the end of June, the median exchange rate of RMB to USD was 6.4716 to 1, representing an accumulative appreciation of 2.33% over the end of the previous year. The growth of the money supply and credit returned to normal levels.

Market interest rates were more volatile due to seasonal factors and the continuous increases of the statutory deposit reserve ratio. The continued existence of the difference between the market interest rates and the benchmark interest rates restricted the liquidity recycling function of the open market operations, promoted the process of financial disintermediation, and brought about the continued expansion of wealth management products issued by commercial banks. With the establishment and implementation of a counter-cyclical macro prudential regulatory system, the CBRC began to launch the CARPALS regulatory system, which strengthened the regulation of commercial bank capital, and increased the level of regulatory intensity with regard to the management of loan-to-deposit ratio as well as wealth management businesses.

Currently, the regulatory environment of the banking industry in China has gradually become clearer while uncertainties of the macroeconomic environment have intensified. The growth of commercial bank lending was faced with capital restraints and risk management pressures. Under generally tightened liquidity conditions, the competition amongst commercial banks for deposits has become fiercer. With the goal of becoming a leading large listed bank, in the second half of the year, we will pay close attention to the changes in the marcoeconomic and competitive trends, and strengthen the basics of our management. We will also further promote the business transformation, reinforce capital restrictions and risk management, and proactively implement the established reform and development measures. We will strive to create value for our shareholders and the society.

Financial Statements Analysis

Income Statement Analysis

In the first half of 2011, we generated a net profit of RMB66,679 million, representing an increase of RMB20,816 million or 45.4% compared to the same period of the previous year. This was primarily due to the significant increases in net interest income and net fee and commission income.

Changes in Key Items of Income Statement

In millions of RMB, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Net interest income	144,730	111,708	33,022	29.6
Net fee and commission income	37,136	22,459	14,677	65.4
Other non-interest income	2,767	1,951	816	41.8
Operating income	**184,633**	**136,118**	**48,515**	**35.6**
Less: Operating expenses	71,273	58,468	12,805	21.9
Provisions for impairment losses on assets	27,697	19,623	8,074	41.1
Profit before tax	85,663	58,027	27,636	47.6
Less: Income tax expense	18,984	12,164	6,820	56.1
Net Profit	**66,679**	**45,863**	**20,816**	**45.4**
Attributable to:				
Equity holders of the Bank	66,667	45,840	20,827	45.4
Minority interests	12	23	(11)	(47.8)

Net Interest Income

Net interest income was the largest component of the operating income, and accounted for 78.4% of our operating income in the first half of 2011. In the first half of 2011, net interest income was RMB144,730 million, representing an increase of RMB33,022 million compared to the same period of the previous year. Expansion in volume and changes in interest rates increased net interest income by RMB19,596 million and RMB13,426 million, respectively.

The table below sets out the average balance, interest income/expenses and average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income/ expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	5,182,655	148,725	5.79	4,394,824	113,335	5.16
Debt securities investments[1]	2,508,059	39,669	3.19	2,555,138	38,319	3.00
Non-restructuring-related debt securities	1,886,549	29,969	3.20	1,845,724	27,095	2.94
Restructuring-related debt securities[2]	621,510	9,700	3.15	709,414	11,224	3.16
Balances with central banks	2,092,161	16,540	1.59	1,580,827	12,193	1.54
Amounts due from banks and other financial institutions[3]	659,415	12,018	3.68	503,936	4,433	1.76
Total interest-earning assets	**10,442,290**	**216,952**	**4.19**	**9,034,725**	**168,280**	**3.73**
Allowance for impairment losses[4]	(182,491)			(136,425)		
Non-interest-earning assets[4]	465,342			424,912		
Total assets	10,725,141			9,323,212		
Liabilities						
Deposits from customers	8,915,817	62,560	1.41	7,865,436	50,335	1.28
Amounts due to banks and other financial institutions[5]	768,124	8,525	2.24	623,967	5,304	1.70
Other interest-bearing liabilities[6]	67,467	1,137	3.40	57,185	933	3.26
Total interest-bearing liabilities	**9,751,408**	**72,222**	**1.49**	**8,546,588**	**56,572**	**1.32**
Non-interest-bearing liabilities[4]	359,293			350,955		
Total liabilities	10,110,701			8,897,543		
Net interest income		**144,730**			**111,708**	
Net interest spread			**2.70**			**2.41**
Net interest margin			**2.79**			**2.47**

Notes:

1. *Debt securities investments include debt securities investments at fair value through profit or loss, available-for-sale debt securities investments, held-to-maturity investments and debt securities classified as receivables.*
2. *Restructuring-related debt securities include the MOF receivables and special PRC government bonds.*
3. *Amounts due from banks and other financial institutions primarily include deposits and placements with banks and other financial institutions, and financial assets held under resale agreements.*
4. *The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the reporting period.*
5. *Amounts due to banks and other financial institutions primarily include deposits and placements from banks and other financial institutions, and financial assets sold under repurchase agreements.*
6. *Other interest-bearing liabilities primarily include certificates of deposits issued and the Subordinated Bonds issued.*
7. *Calculated on an annualized basis.*

The table below sets out the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	Increase/(decrease) due to		Net increase/
	Volume	Interest rate	(decrease)
Assets			
Loans and advances to customers	22,608	12,782	35,390
Debt securities investments	(745)	2,095	1,350
Balances with central banks	4,042	305	4,347
Amounts due from banks and other financial institutions	2,834	4,751	7,585
Changes in interest income	28,739	19,933	48,672
Liabilities			
Deposits from customers	7,370	4,855	12,225
Amounts due to banks and other financial institutions	1,600	1,621	3,221
Other interest-bearing liabilities	173	31	204
Changes in interest expense	9,143	6,507	15,650
Changes in net interest income	**19,596**	**13,426**	**33,022**

Note: Changes caused by both volume and interest rate have been allocated to the changes in volume.

Net Interest Margin and Net Interest Spread

In the first half of 2011, the net interest margin increased by 32 basis points to 2.79% compared to the same period of the previous year; and the net interest spread increased by 29 basis points to 2.70% compared to the same period of the previous year. Increase in net interest margin and net interest spread was primarily due to the following reasons: (1) deposits and loans started repricing gradually along with the PBOC's increases in benchmark interest rates since the second half of 2010, but the increase of the average yield of loans was higher than that of the average cost of deposits, leading to a wider interest spread; and (2) interest rates of money and bond markets rose owing to the increases of the deposit reserve ratio and the benchmark interest rates as well as the tightened market liquidity, which led to higher yield of amounts due from banks and other financial institutions and non-restructuring-related debt securities.

Interest Income

We recorded an interest income of RMB216,952 million in the first half of 2011, representing an increase of RMB48,672 million over the same period of the previous year. The increase of interest income was principally due to the increase in the average balance and average yield of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB35,390 million or 31.2% over the same period of the previous year to RMB148,725 million. The increase of interest income was primarily due to the increase of RMB787,831 million in the average balance and the increase of 63 basis points in average yield.

The table below sets out the average balance, interest income and average yield of loans and advances to customers by product type.

In millions of RMB, except for percentages

	Six months ended 30 June 2011			Six months ended 30 June 2010		
Item	**Average balance**	**Interest income**	**Average yield[1] (%)**	**Average balance**	**Interest income**	**Average yield[1] (%)**
Corporate loans	3,766,724	110,885	5.94	3,249,899	86,485	5.32
Short-term corporate loans	1,522,991	45,033	5.96	1,334,172	33,868	5.08
Medium-and long-term corporate loans	2,243,733	65,852	5.92	1,915,727	52,617	5.49
Discounted bills	105,645	2,777	5.30	199,376	3,151	3.16
Retail loans	1,231,971	34,113	5.58	915,751	23,346	5.10
Overseas and others	78,315	950	2.45	29,798	353	2.37
Total loans and advances to customers	**5,182,655**	**148,725**	**5.79**	**4,394,824**	**113,335**	**5.16**

Note: 1. Calculated on an annualized basis.

Interest income from corporate loans increased by RMB24,400 million or 28.2% to RMB110,885 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB516,825 million in the average balance and the increase of 62 basis points in average yield. The increase in average yield is mainly due to the following reasons: (1) the increases of benchmark interest rates of loans by the PBOC since the second half of 2010; and (2) more bargaining power due to tightened market liquidity and further improvement in the pricing of loans contributed to higher interest premium.

Interest income from discounted bills decreased by RMB374 million or 11.9% to RMB2,777 million compared to the same period of the previous year. The decrease was primarily due to the decrease of RMB93,731 million in the average balance which was partly offset by the increase of 214 basis points to 5.30% in average yield. The increase in average yield was mainly due to significant increase in the market interest rate of discounted bills resulting from the tightened market liquidity.

Interest income from retail loans increased by RMB10,767 million or 46.1% to RMB34,113 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB316,220 million in the average balance and the increase of 48 basis points in average yield. The increase in average yield was primarily due to: (1) the increases of benchmark interest rates of loans by the PBOC since the second half of 2010; and (2) the increase in interest premium of new residential mortgage loans due to changes in residential mortgage credit policy.

Interest income from overseas and other loans increased by RMB597 million or 169.1% to RMB950 million compared to the same period of the previous year. The increase was mainly due to the increase of RMB48,517 million in the average balance and the increase of 8 basis points in average yield.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In the first half of 2011, the interest income from debt securities investments increased by RMB1,350 million over the same period of the previous year to RMB39,669 million. The increase was primarily due to the increase of 19 basis points in average yield, which was partly offset by the decrease of RMB47,079 million in the average balance. The increase of average yield was mainly due to the significant increase in bond market yield as a result of the increases in statutory deposit reserve ratio and benchmark interest rates by the PBOC, as well as tightened market liquidity. The decrease in the average balance was mainly because the MOF repaid part of the MOF receivables to the Bank.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB4,347 million to RMB16,540 million compared to the same period of the previous year, mainly due to the increase of RMB511,334 million in the average balance and the increase of 5 basis points in average yield. The increase in the average balance was primarily due to the increase in statutory deposit reserve of the Bank, resulting from the consecutive increases of the statutory deposit reserve ratio since the second half of 2010 and the increase in deposits from customers. The increase in average yield was mainly due to the increase in the proportion of statutory deposit reserve which had relatively higher yield.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB7,585 million to RMB12,018 million compared to the same period of the previous year. The increase was primarily due to the increase of 192 basis points in average yield to 3.68% and the increase of RMB155,479 million in the average balance. The increase in average yield was mainly due to the significant increase in money market interest rates as a result of the increases in statutory deposit reserve ratio and benchmark interest rates as well as tightened market liquidity.

Interest Expenses

Interest expenses increased by RMB15,650 million to RMB72,222 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB1,204,820 million in the average balance and the increase of 17 basis points in average cost to 1.49%.

Interest Expense on Deposits from Customers

Interest expenses on deposits from customers increased by RMB12,225 million to RMB62,560 million compared to the same period of the previous year. The increase was mainly due to the increase of RMB1,050,381 million in the average balance and the increase of 13 basis points in average cost to 1.41%. The increase in average costs was mainly due to the increases of deposit benchmark interest rates by the PBOC since the second half of 2010.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentage

	Six months ended 30 June 2011			Six months ended 30 June 2010		
Item	**Average balance**	**Interest expense**	**Average cost[1] (%)**	**Average balance**	**Interest expense**	**Average cost[1] (%)**
Corporate deposits						
Time	978,516	14,097	2.91	932,292	10,939	2.35
Demand	2,641,851	8,378	0.64	2,314,626	6,553	0.57
Sub-total	3,620,367	22,475	1.25	3,246,918	17,492	1.08
Retail deposits						
Time	2,747,338	33,789	2.48	2,491,648	28,970	2.33
Demand	2,548,112	6,296	0.50	2,126,870	3,873	0.36
Sub-total	5,295,450	40,085	1.53	4,618,518	32,843	1.42
Total deposits from customers	**8,915,817**	**62,560**	**1.41**	**7,865,436**	**50,335**	**1.28**

Note: 1. Calculated on an annualized basis.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB3,221 million to RMB8,525 million compared to the same period of the previous year. The increase was primarily due to the increase of 54 basis points in average cost to 2.24% and the increase of RMB144,157 million in the average balance. The increase of average cost was mainly due to the significant increases in money market interest rates.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB204 million to RMB1,137 million compared to the same period of the previous year, mainly due to the issuance of Subordinated Bonds of RMB50 billion by the Bank in June 2011.

Net Fee and Commission Income

In the first half of 2011, we generated net fee and commission income of RMB37,136 million, an increase of RMB14,677 million or 65.4% compared to the same period of the previous year. The proportion of net fee and commission income in our operating income was 20.11%, an increase of 3.61 percentage points compared to the same period of the previous year.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Consultancy and advisory fees	12,736	5,424	7,312	134.8
Settlement and clearing fees	9,620	7,075	2,545	36.0
Agency commission	7,059	5,593	1,466	26.2
Bank card fees	4,554	2,881	1,673	58.1
Electronic banking service fees	1,932	1,063	869	81.7
Credit commitment fees	1,424	689	735	106.7
Custodian and other fiduciary service fees	541	401	140	34.9
Others	310	50	260	520.0
Fee and commission income	**38,176**	**23,176**	**15,000**	**64.7**
Less: Fee and commission expenses	1,040	717	323	45.0
Net fee and commission income	**37,136**	**22,459**	**14,677**	**65.4**

Consultancy and advisory fee income increased by RMB7,312 million or 134.8% to RMB12,736 million compared to the same period of the previous year. The increase was mainly due to the significant growth of investment and wealth management advisory services we provided to individual and corporate customers to cater to their diversified financing needs in addition to traditional financial services.

Settlement and clearing fee income increased by RMB2,545 million or 36.0% to RMB9,620 million compared to the same period of the previous year. The increase was mainly due to the significant increase in the income from international settlement of letter of credit and trade finance following the increase of imports and exports trade and the rapid growth of overseas businesses. In addition, we further improved our supporting services to settlement businesses, such as maintenance of settlement accounts and cash management. Income from RMB settlement business maintained its steady and healthy growth.

Agency commission income increased by RMB1,466 million or 26.2% to RMB7,059 million compared to the same period of the previous year. The increase was mainly due to the rapid growth of insurance agency services, agency services to corporate customers and wealth management services to individuals.

Bank card fee income increased by RMB1,673 million or 58.1% to RMB4,554 million compared to the same period of the previous year. The increase was mainly due to the increase in fee income from debit card and credit card as we improved the functions of our card products to better meet our customers' changing consumption patterns and their demands.

Electronic banking service fees increased by RMB869 million or 81.7% to RMB1,932 million compared to the same period of the previous year. The increase was mainly attributable to the significant increase in transaction fees from Internet banking as we upgraded our Internet banking system and improved customer experience of individual and corporate customers via this channel.

Credit commitment fee income increased by RMB735 million or 106.7% to RMB1,424 million compared to the same period of the previous year. The increase was mainly due to the significant increase in income from bank acceptance, guarantees and commitment as tightened market liquidity boosted the development of such businesses.

Custodian and other fiduciary service fees increased by RMB140 million or 34.9% to RMB541 million compared to the same period of the previous year. The increase was mainly due to the increase in custodian income as we had 15 new mutual funds under our custody during the reporting period.

Other Non-interest Income

In the first half of 2011, other non-interest income amounted to RMB2,767 million, representing an increase of RMB816 million over the same period of the previous year. The increase was primarily due to the increase in net gain on foreign exchange brought about by the growth of our foreign exchange settlement and trading business driven by increased international trading activities.

Composition of Other Non-Interest Income

In millions of RMB

Item	Six months ended 30 June 2011	Six months ended 30 June 2010
Net trading gain	660	463
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	32	(170)
Net (loss)/gain on securities investments	(99)	143
Income from other operations, net	2,174	1,515
Total	**2,767**	**1,951**

Operating Expenses

Operating expenses increased by RMB12,805 million to RMB71,273 million compared to the same period of the previous year. The cost-to-income ratio was 33.08%, representing a decrease of 4.37 percentage points compared to the same period of the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth rate (%)
Staff cost	40,110	32,599	7,511	23.0
General operating and administrative expenses	14,721	12,888	1,833	14.2
Business taxes and surcharges	10,190	7,489	2,701	36.1
Depreciation and amortization	6,398	5,595	803	14.4
Others	(146)	(103)	(43)	(41.7)
Total	**71,273**	**58,468**	**12,805**	**21.9**

Provisions for Impairment Losses on Assets

In the first half of 2011, provisions for impairment losses on assets increased by RMB8,074 million to RMB27,697 million.

We remained prudent in provisioning for impairment losses on loans based on our assessment of the economic uncertainties. The provisions for impairment losses on loans increased by RMB7,924 million to RMB27,652 million compared to the same period of the previous year.

Income Tax Expense

In the first half of 2011, our income tax expense amounted to RMB18,984 million, and the effective tax rate was 22.16%, lower than the 25% statutory tax rate which was mainly because interest income derived from the PRC government bonds held by the Bank was exempted from corporate income tax.

Segment Information

We assess our performance and determine the allocation of resources based on segment reports. The segment information was reported in the same manner as the basis of internal management and reporting. At present, we manage our business along geographical segments, business lines and County Area Banking Business.

Our major business lines include corporate banking, retail banking, treasury operations and others. The table below sets out our operating income by business line during the period indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2011		Six months ended 30 June 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Corporate banking business	106,394	57.7	76,982	56.5
Retail banking business	66,367	35.9	47,732	35.1
Treasury operations	11,324	6.1	10,742	7.9
Other business	548	0.3	662	0.5
Total operating income	**184,633**	**100.0**	**136,118**	**100.0**

The table below sets out our operating income by geographical segment during the period indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2011		Six months ended 30 June 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	25,285	13.7	13,674	10.1
Yangtze River Delta	42,048	22.8	32,315	23.7
Pearl River Delta	23,654	12.8	19,189	14.1
Bohai Rim	26,613	14.4	20,532	15.1
Central China	22,029	11.9	16,674	12.2
Western China	38,200	20.7	29,110	21.4
Northeastern China	5,752	3.1	4,050	3.0
Overseas and others	1,052	0.6	574	0.4
Total operating income	**184,633**	**100.0**	**136,118**	**100.0**

Note: Please refer to "Note 42 to the Financial Statements: Geographical Segment" for definition of geographical segments.

The table below sets out our operating income of the County Area Banking Business and Urban Area Banking Business during the period indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2011		Six months ended 30 June 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
County Area Banking Business	69,410	37.6	50,172	36.9
Urban Area Banking Business	115,223	62.4	85,946	63.1
Total operating income	**184,633**	**100.0**	**136,118**	**100.0**

Balance Sheet Analysis

Assets

At 30 June 2011, our total assets amounted to RMB11,461,784 million, representing an increase of RMB1,124,378 million or 10.9% compared to the end of the previous year. Net loans and advances to customers increased by RMB399,979 million or 8.4%. Net investment securities and other financial assets increased by RMB19,325 million or 0.8%. Cash and balances with central banks increased by RMB370,085 million or 17.8%, mainly due to the consecutive increases of statutory deposit reserve ratio and the significant increase in deposits from customers. Deposits and placements with banks and other financial institutions increased by RMB185,890 million or 107.3% which was mainly because we significantly increased placements when money market fluctuations presented opportunities to improve the yield. Financial assets held under resale agreements increased by RMB112,314 million or 21.4%, mainly due to the significant increase in bonds held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	5,383,913	N/A	4,956,741	N/A
Less: Allowance for impairment losses on loans	195,926	N/A	168,733	N/A
Loans and advances to customers, net	5,187,987	45.3	4,788,008	46.3
Investment securities and other financial assets, net	2,546,756	22.2	2,527,431	24.5
Cash and balances with central banks	2,452,417	21.4	2,082,332	20.1
Deposits and placements with banks and other financial institutions	359,158	3.1	173,268	1.7
Financial assets held under resale agreements	637,645	5.6	525,331	5.1
Others	277,821	2.4	241,036	2.3
Total assets	**11,461,784**	**100.0**	**10,337,406**	**100.0**

Loans and Advances to Customers

At 30 June 2011, our total loans and advances to customers amounted to RMB5,383,913 million, representing an increase of RMB427,172 million or 8.6% over the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

Item	30 June 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	5,277,557	98.0	4,881,036	98.5
Corporate loans	3,869,699	71.9	3,595,440	72.6
Discounted bills	87,142	1.6	141,123	2.8
Retail loans	1,320,716	24.5	1,144,473	23.1
Overseas and others	106,356	2.0	75,705	1.5
Total	**5,383,913**	**100.0**	**4,956,741**	**100.0**

Corporate loans increased by RMB274,259 million or 7.6% over the end of the previous year to RMB3,869,699 million, primarily due to increased lending in state-level key economic development planning areas and national industrial parks, new loans to Small- and Medium-sized Enterprises of high creditability and agriculture-related loans in line with the national strategic economic restructuring plan to support the development of our major urban branches.

Discounted bills decreased by RMB53,981 million or 38.3% over the end of the previous year to RMB87,142 million, primarily due to our adjustment to the loan portfolio by scaling-down the portfolio of discounted bills and increasing the allocation of funds to loans to our highly valued customers in line with the government's macroeconomic policy and market conditions.

Retail loans increased by RMB176,243 million or 15.4% over the end of the previous year to RMB1,320,716 million and accounted for 24.5% of our total loans, representing an increase of 1.4 percentage points compared to the end of the previous year. The increase was mainly because we focused on retail loans in line with government's policy to boost domestic demands. The increase was also attributable to the transformation of retail banking business, the innovation of retail loan products and our efforts in wholesale marketing, cross-selling and standardized marketing.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,585,095	41.0	1,412,390	39.3
Medium- and long-term corporate loans	2,284,604	59.0	2,183,050	60.7
Total	**3,869,699**	**100.0**	**3,595,440**	**100.0**

Short-term corporate loans increased by RMB172,705 million, or 12.2% and medium- and long-term corporate loans increased by RMB101,554 million, or 4.7%. The percentage of medium- and long-term loans decreased to 59.0% by 1.7 percentage points compared to the end of the previous year.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,152,489	29.8	1,046,317	29.3
Production and supply of power, gas and water	423,433	10.9	394,414	11.0
Real estate[1]	534,374	13.8	543,625	15.0
Transportation, logistics and postal services	427,469	11.0	384,798	10.7
Retail and wholesale	353,245	9.1	292,209	8.1
Water, environment and public utilities management	197,284	5.1	213,705	5.9
Construction	167,069	4.3	148,799	4.1
Mining	141,352	3.7	115,779	3.2
Leasing and commercial services	244,173	6.3	210,882	5.9
Information transmission, computer services and software	14,249	0.4	18,788	0.5
Others[2]	214,562	5.6	226,124	6.3
Total	**3,869,699**	**100.0**	**3,595,440**	**100.0**

Note: 1. *Loans in the above table are based on the industries in which the borrowers operate. Real estate loans include loans for the development of real estate projects by enterprises mainly engaging in the real estate industry, mortgage loans for operating properties and non-real estate loans to other enterprises in the real estate industry.*

2. *Others mainly include agriculture, forestry, animal husbandry, fishery, education, hospitality and catering industries, etc.*

The gross loans to corporate customers in five major industries, including (1) manufacturing; (2) real estate; (3) production and supply of power, gas and water; (4) transportation, logistics and postal services; and (5) retail and wholesale, accounted for 74.6% of our total corporate loans, representing an increase of 0.5 percentage point compared to the end of the previous year. The three major industries with the highest growth in proportion to our total corporate loans were retail and wholesale, mining and manufacturing while the proportion of loans to real estate industry had the largest decrease.

During the reporting period, in line with the directive of China's 12th Five-Year Plan on industry and sector development policies and upon reviewing our loan portfolio, we refined limits on exposure to certain industries and our customer list-based management, enlarged the coverage of industry-specific credit policy, strictly controlled credit risks relating to government financing vehicles, real estate and industries with high energy consumption, high pollution or overcapacity. We further improved our loan portfolio by acquiring more premium corporate customers with relatively high yield and low risk.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Residential mortgage loans	826,481	62.6	724,592	63.3
Personal consumption loans	142,319	10.8	133,093	11.6
Loans to private businesses	150,354	11.4	130,085	11.4
Credit card balances	64,149	4.8	37,820	3.3
Loans to rural households	134,437	10.2	115,580	10.1
Others	2,976	0.2	3,303	0.3
Total	**1,320,716**	**100.0**	**1,144,473**	**100.0**

We operated our residential mortgage loan business and adjusted relevant policies in accordance with government policies and measures on real estate. We focused on satisfying residents' credit demand in purchasing owner-occupied properties and supporting first-home buyers, and tightened loans for second or more residential properties. At 30 June 2011, the residential mortgage loans of the Bank increased by RMB101,889 million or 14.1% over the end of the previous year to RMB826,481 million.

Personal consumption loans increased by RMB9,226 million or 6.9% over the end of the previous year to RMB142,319 million, mainly because we seized the opportunities brought by the macroeconomic policy of expanding domestic demand and stimulating consumption and put more efforts to market our personal consumption loans. We also strengthened the synergistic marketing of retail and corporate banking businesses and further enhanced our capability to provide high-quality services to key industries and high-net-worth retail customers, and to satisfy the financing and consumption needs of our high-net-worth retail customers.

Loans to private businesses increased by RMB20,269 million or 15.6% over the end of the previous year to RMB150,354 million, mainly because we promoted loans to private businesses in nationwide and regional large, top grade and specialized markets to satisfy the financing demands of private business owners.

Credit card balances increased by RMB26,329 million or 69.6% over the end of the previous year to RMB64,149 million. The rapid growth of our credit card balances was primarily because we continued to promote credit card installment businesses to customers with high credit rating.

Distribution of Loans by Region

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	84,547	1.6	76,605	1.5
Yangtze River Delta	1,461,354	27.0	1,353,322	27.4
Pearl River Delta	774,017	14.4	717,857	14.5
Bohai Rim	945,808	17.6	869,184	17.5
Central China	643,851	12.0	601,196	12.1
Northeastern China	193,390	3.6	173,876	3.5
Western China	1,174,590	21.8	1,088,996	22.0
Overseas and others	106,356	2.0	75,705	1.5
Total	**5,383,913**	**100.0**	**4,956,741**	**100.0**

During the reporting period, we followed the policies of the state on regional and industrial development, and attended to the balanced development of regional lending. The distribution of loans by region remained relatively stable. We also strengthened the synergistic marketing of domestic and overseas businesses and the proportion of overseas loans increased.

Investments

At 30 June 2011, net investment securities and other financial assets increased by RMB19,325 million to RMB2,546,756 million over the end of the previous year. During the reporting period, the fluctuation of market interest rates became more volatile. We classified the majority of our new investments as available-for-sale financial assets to maintain the flexibility of investment portfolio. Available-for-sale financial assets increased by RMB71,385 million over the end of the previous year, representing an increase of 2.6 percentage points of total investments. Investments classified as receivables decreased by RMB65,466 million over the end of the previous year, mainly because the MOF repaid part of MOF receivables during the reporting period.

Distribution of Investments by Type of Instrument

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Non-restructuring-related debt securities	1,922,966	75.5	1,832,392	72.5
Restructuring-related debt securities	598,176	23.5	661,710	26.2
Equity instruments	454	–	459	–
Others[1]	25,160	1.0	32,870	1.3
Total	**2,546,756**	**100.0**	**2,527,431**	**100.0**

Note: 1. Including mainly the trust assets generated by investment of the proceeds from issuance of wealth management products.

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Financial assets at fair value through profit or loss[1]	55,657	2.2	50,257	2.0
Available-for-sale financial assets	739,888	29.1	668,503	26.5
Held-to-maturity investments	1,044,664	41.0	1,036,658	41.0
Debt securities classified as receivables	706,547	27.7	772,013	30.5
Total	**2,546,756**	**100.0**	**2,527,431**	**100.0**

Note: 1. Including financial assets held for trading and financial assets designated as at fair value through profit or loss.

Non-restructuring-related debt securities investments increased by RMB90,574 million to RMB1,922,966 million over the end of the previous year. In terms of investment portfolio, the proportion of bonds issued by policy banks increased by 3.3 percentage points, mainly because the Bank moderately increased the investment in bonds issued by policy banks to enhance the yield of investment portfolio. In terms of maturity profile, the proportion of investment in bonds with a remaining maturity of less than three months increased significantly by 5.9 percentage points, while proportion of our investment in bonds with a remaining maturity of 3 to 12 months decreased significantly by 4.4 percentage points, mainly due to the shortening of remaining maturity of part of our short-term bonds purchased in 2010 to no more than three months with the passage of time. In terms of currency, the Bank moderately reduced its investment in USD bonds with relatively lower yield and increased the investment in other foreign currency bonds. Proportion of foreign currency bonds remained relatively stable.

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Government bonds	529,838	27.6	532,968	29.1
PBOC bills	536,097	27.9	544,609	29.7
Bonds issued by policy banks	554,633	28.8	467,973	25.5
Bonds issued by other banks and financial institutions	72,870	3.8	69,315	3.8
Bonds issued by entities in public sectors and quasi-governments	42,704	2.2	40,012	2.2
Corporate bonds	186,824	9.7	177,515	9.7
Total	**1,922,966**	**100.0**	**1,832,392**	**100.0**

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Remaining Maturity	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Overdue	132	–	7	–
Less than 3 months	295,168	15.3	172,198	9.4
3–12 months	431,193	22.4	490,540	26.8
1–5 years	727,156	37.8	714,648	39.0
More than 5 years	469,317	24.5	454,999	24.8
Total	**1,922,966**	**100.0**	**1,832,392**	**100.0**

Distribution of Non-restructuring-related Debt Securities Investment by Currency

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
RMB	1,846,922	96.1	1,759,340	96.0
USD	59,787	3.1	62,250	3.4
Other foreign currencies	16,257	0.8	10,802	0.6
Total	**1,922,966**	**100.0**	**1,832,392**	**100.0**

Investment in Financial Bonds

Financial bonds refer to the securities issued by the PRC policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. At 30 June 2011, the balance of financial bonds was RMB627,503 million, mainly consisting of financial bonds issued by the PRC policy banks. The table below sets out the top ten financial bonds held by the Bank in terms of face value at 30 June 2011.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date (YY/MM/DD)	Impairment
2006 policy bank bonds	9,250	3.00%	2011-10-18	–
2004 policy bank bonds	7,380	Interest rate for 1-year time deposits plus 0.76%	2014-03-05	–
2010 policy bank bonds	6,980	3.17%	2017-07-21	–
2010 policy bank bonds	6,710	3.21%	2017-06-02	–
2007 policy bank bonds	6,120	4.13%	2017-08-20	–
2011 policy bank bonds	6,070	4.24%	2014-06-28	–
2005 policy bank bonds	5,965	Interest rate for 1-year time deposits plus 0.72%	2015-04-27	–
2011 policy bank bonds	5,810	3.35%	2012-04-12	–
2002 policy bank bonds	5,755	2.85%	2012-04-19	–
2010 policy bank bonds	5,600	4.42%	2040-04-07	–

Liabilities

At 30 June 2011, our total liabilities increased by RMB1,077,105 million or 11.0% over the end of the previous year to RMB10,872,275 million. Deposits from customers increased by RMB818,682 million or 9.2%, while deposits and placements from banks and other financial institutions increased by RMB126,956 million or 21.8%. Financial assets sold under repurchase agreements increased by RMB29,178 million or 77.9%, mainly due to the increase in bonds sold under repurchase agreements. Subordinated Bonds issued increased by RMB49,954 million or 100.0%, mainly due to the issuance of new Subordinated Bonds during the reporting period.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	30 June 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	9,706,587	89.3	8,887,905	90.7
Deposits and placements from banks and other financial institutions	709,908	6.5	582,952	6.0
Financial assets sold under repurchase agreements	66,645	0.6	37,467	0.4
Subordinated Bonds issued	99,916	0.9	49,962	0.5
Other liabilities	289,219	2.7	236,884	2.4
Total	**10,872,275**	**100.0**	**9,795,170**	**100.0**

Deposits from Customers

At 30 June 2011, deposits from customers increased by RMB818,682 million or 9.2% over the end of the previous year to RMB9,706,587 million. By customer type, corporate deposits increased by RMB227,101 million or 6.4%, and retail deposits increased by RMB499,229 million or 9.9% over the end of the previous year.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

Item	30 June 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	9,676,199	99.7	8,870,588	99.8
Corporate deposits	3,760,076	38.7	3,532,975	39.8
Time	969,733	10.0	893,965	10.1
Demand	2,790,343	28.7	2,639,010	29.7
Retail deposits	5,564,424	57.4	5,065,195	56.9
Time	2,783,815	28.7	2,573,683	28.9
Demand	2,780,609	28.7	2,491,512	28.0
Other deposits[1]	351,699	3.6	272,418	3.1
Overseas and others	30,388	0.3	17,317	0.2
Total	**9,706,587**	**100.0**	**8,887,905**	**100.0**

Note: 1. Including margin deposits and funds deposited with us for remittance.

Distribution of Deposits from Customers by Geographical Segment

In millions of RMB, except for percentages

Item	30 June 2011 Amount	30 June 2011 Percentage (%)	31 December 2010 Amount	31 December 2010 Percentage (%)
Head Office	62,864	0.7	62,129	0.7
Yangtze River Delta	2,297,042	23.7	2,111,759	23.8
Pearl River Delta	1,363,724	14.0	1,247,222	14.0
Bohai Rim	1,696,680	17.5	1,561,814	17.6
Central China	1,574,263	16.2	1,429,900	16.1
Northeastern China	517,870	5.3	464,550	5.2
Western China	2,163,756	22.3	1,993,214	22.4
Overseas and others	30,388	0.3	17,317	0.2
Total	**9,706,587**	**100.0**	**8,887,905**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	30 June 2011 Amount	30 June 2011 Percentage (%)	31 December 2010 Amount	31 December 2010 Percentage (%)
Demand	5,985,862	61.7	5,621,202	63.3
Less than 3 months	1,045,586	10.8	1,006,255	11.3
3–12 months	2,101,417	21.6	1,775,701	20.0
1–5 years	571,825	5.9	482,634	5.4
More than 5 years	1,897	–	2,113	–
Total	**9,706,587**	**100.0**	**8,887,905**	**100.0**

Shareholders' Equity

At 30 June 2011, the shareholders' equity of the Bank amounted to RMB589,509 million, representing an increase of 8.7% compared to the end of the previous year.

The table below sets out the composition of shareholders' equity at the dates indicated.

In millions of RMB, except for percentages

Item	30 June 2011 Amount	30 June 2011 Percentage (%)	31 December 2010 Amount	31 December 2010 Percentage (%)
Share capital	324,794	55.1	324,794	59.9
Capital reserve	98,773	16.8	98,773	18.2
Investment revaluation reserve	(3,896)	(0.7)	(2,171)	(0.4)
Surplus reserve	17,242	2.9	17,242	3.2
General and regulatory reserve	64,736	11.0	58,335	10.8
Retained earnings	88,211	15.0	45,484	8.4
Currency translation reserve	(528)	(0.1)	(386)	(0.1)
Equity attributable to equity holders of the Bank	589,332	100.0	542,071	100.0
Minority interests	177	–	165	–
Total equity of shareholders	**589,509**	**100.0**	**542,236**	**100.0**

Off-Balance Sheet Items

Off-balance sheet items mainly include the contingent liabilities and commitments, such as credit commitments, capital expenditure commitments, operating lease commitments, bonds underwriting and redemption commitments and legal proceedings. Credit commitment was a major component of the off-balance sheet items.

Composition of Credit Commitments

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loan commitments	1,184,490	58.0	955,563	58.3
Acceptances	374,463	18.4	311,664	19.0
Letters of guarantee issued	186,018	9.1	158,584	9.7
Letters of credit issued	103,418	5.1	79,400	4.8
Credit card commitments	192,127	9.4	135,235	8.2
Total	**2,040,516**	**100.0**	**1,640,446**	**100.0**

Other Financial Information

Changes in Accounting Policies

There was no change in accounting policies during the reporting period.

Differences between the financial statements prepared under IFRSs and those prepared in accordance with CASs

There was no difference between the net profit and shareholder's equity in the consolidated financial statements of the Bank prepared under IFRSs and those prepared in accordance with CASs.

Business Review

Corporate Banking

In the first half of 2011, we proactively responded to the changes in the market and policies, and steadily pushed forward the operational transformation of our corporate banking business. We optimized the allocation of credit resources, proactively provided support for the development of state-level key economic development planning areas, strategic emerging industries and energy conserving industries, and strictly controlled the loans to industries with high pollution, high energy consumption and overcapacity. Moreover, we focused on supply chain financing, and enhanced the research and development of corporate products to strengthen their competitiveness. Our corporate deposits steadily increased, loan composition continuously improved, and fee- and commission-based businesses maintained rapid growth.

Corporate Deposit and Loan Business

In the first half of 2011, under the circumstance of gradually tightened market liquidity, we captured a steady increase in corporate deposits by strengthening the marketing efforts to our customers and leveraging on the synergistic marketing advantage of our wealth management products and cash management operations. At 30 June 2011, the balance of our domestic corporate deposits reached RMB3,760,076 million, representing an increase of RMB227,101 million or 6.4% over the end of the previous year.

We continued to refine our loan composition, and our regional, industrial and customer loan composition were continuously optimized during the reporting period. At 30 June 2011, our outstanding loans and discounted bills of domestic corporate customers aggregated to RMB3,956,841 million, representing an increase of RMB220,278 million or 5.9% over the end of the previous year.

During the reporting period, we implemented the state government's macroeconomic control policies on the real estate market. We strictly restrained the aggregate volume of real estate loans, optimized geographical distribution and customer mix, and reinforced the loan authorization management and post-disbursement management in order to effectively control the risks related to real estate loans. At 30 June 2011, the balance of real estate corporate loans (excluding business property mortgage loans) was RMB406,629 million, a decrease of RMB13,009 million over the end of the previous year. In the first half of 2011, real estate corporate loans granted by us amounted to RMB75,106 million, most of which were granted for the development of residential properties and urban land.

Small Enterprise Business

We continued to support the development of Small- and Medium-sized Enterprises. We formulated a separate plan to specifically increase the amount of loans to small enterprises. We extended the credit authorization and streamlined operational procedures to achieve simplified and shortened procedures. In addition to promoting small enterprise products, such as "Easy Loans", we developed other featured products, including factory mortgage loans for small enterprises. At the end of June 2011, the number of small enterprise customers reached 41,000, representing an increase of over 1,000 compared to the end of the previous year. Our outstanding small enterprise loans reached RMB490,091 million, representing an increase of RMB29,010 million over the end of the previous year.

Institutional Banking

In the first half of 2011, we focused on expanding the institutional banking market and continued to deepen our cooperation with other banks, securities firms, futures brokerage companies, governments and insurance companies.

Our cooperation with other banks was strengthened. At the end of June 2011, we established business cooperation with 83 banks. The third-party depositary services maintained a relatively rapid growth. We offered third-party depositary services to 98 securities firms, and the number of our contracted customers reached 11.826 million. The aggregate daily average balance of funds deposited with us amounted to RMB104,780 million. Our cooperation with the futures brokerage companies continuously strengthened as well. We had business cooperation with 159 futures brokerage companies, with outstanding margin deposits amounting to RMB31,220 million. We also further strengthened the strategic cooperation with central government departments and provincial governments. In the first half of 2011, the transaction volume of agency services provided to the treasury of PRC government amounted to RMB126,870 million, representing an increase of 40.9% compared to the same period of the previous year. The bancassurance market has recorded significant growth. During the first half of 2011, we collected new insurance premiums of RMB65,050 million in aggregate and received total income from our bancassurance business of RMB3,260 million, the market share of which continued to rank the first among all commercial banks in China and its leading position continued to grow.

Settlement and Cash Management

Payment and Settlement

We pushed forward the marketing of settlement services, which mainly focused on the marketing of settlement accounts and products, and our customer base continued to enlarge. At the end of June 2011, we had 3.38 million RMB-denominated corporate settlement accounts, representing an increase of 5.0% over the end of the previous year. RMB-denominated corporate settlement transaction volume reached RMB106.52 trillion, representing an increase of 18.3% over the same period of the previous year.

Cash Management

At the end of June 2011, our cash management customers reached 86,000, representing an increase of 26.5% compared to the beginning of this year. The total transaction volume of our cash management services reached RMB32.88 trillion, representing an increase of 40.4% over the same period of the previous year. In the first half of 2011, we were awarded the "Top 10 Financial Marketing Product in China for 2010" by *The Banker* and the China Railway Construction Cash Management Program "Golden Treasurer" by *Corporate Treasurers*.

Trade Finance and International Settlement

In the first half of 2011, leveraging on the continuous increase in import and export volume, we actively responded to the financing needs of our customers and supported domestic enterprises to "Go-Global". We further developed our international trade finance, international settlement and cross-border RMB-denominated trade settlement products and promoted various products relating to domestic letter of credit. Business volume and profitability continued to rise. The volume of international trade finance by our domestic branches amounted to USD44,620 million, representing an increase of 111.1% compared to the same period of 2010. Fee and commission income from international trade finance reached RMB1,241 million, representing an increase of 195.5% compared to the same period of the previous year.

In the first half of 2011, the volume of international settlement conducted by our domestic branches amounted to USD299,469 million, representing an increase of 38.1% compared to the same period of the previous year; and with an income of RMB1,098 million, representing an increase of 94.3% compared to the same period of the previous year. In the first half of 2011, our domestic branches issued an aggregate of USD5,422 million of letters of guarantee, representing an increase of 101.0% compared to the same period of the previous year. Cross-border RMB-denominated trade settlement totaled RMB58,545 million, representing an increase of RMB26,740 million over the previous year.

Investment Banking

Our investment banking business continued its rapid growth in the first half of 2011. We continued to develop our financial advisory services and investment and financing advisory services businesses, actively pushed forward the business of debt financing instruments, and enhanced the innovation of low-carbon financial products. We improved our management systems and standardized business procedures. We were the lead underwriter of 54 debt financing instruments transactions and raised a total of RMB63,756 million. In the first half of 2011, income generated from our investment banking business reached RMB11,022 million, representing an increase of RMB5,334 million or 93.8% compared to the same period of the previous year.

We were awarded the "Best Bank on Syndicated Loans" in the election of "2011 Outstanding Investment Banks in China" by the *Securities Times*. We also received the "Best Management Award" and our "Zhenjiang 10,000 hectares Syndicated Loan Project" was awarded the "Best Deal" in the Outstanding Syndicated Loan Business Campaign by China Banking Association.

Custody Services

At the end of June 2011, we had RMB1,767,578 million of assets under custody, representing an increase of 12.9% over the end of the previous year, ranking second among all commercial banks in China. Among which, insurance assets accounted for RMB958,373 million, representing an increase of 1.9% over the end of the previous year, ranking first among all the commercial banks in China. In the first half of 2011, 15 custody funds were established, representing an increase of 11 funds compared to the same period of the previous year. The total number of custody funds reached 101 and for the first time QDII fund formed a part therein. In the first half of 2011, our custodian and other fiduciary service fees amounted to RMB541 million, representing an increase of 34.9% over the same period of the previous year.

Pension Business

In the first half of 2011, we won the bids for a number of pension funds of well-known enterprises. We actively promoted integrated schemes for corporate annuity and steadily expanded our custody business for the new rural pension insurance fund program and various social security funds. At the end of June 2011, pension funds under our custody reached RMB126,099 million, representing an increase of 20.3% over the end of the previous year.

Retail Banking

Targeting to build a leading retail bank in China, we further accelerated the transformation of our retail banking business. We continued the realignment and renovation of our branch outlets and launched various service and marketing initiatives, such as "Enhancement of Service Quality in Branch Outlets" and "Enhancement of Marketing Skills in Branch Outlets", to enhance the environment, service quality and operational efficiency of our branch outlets. We enhanced the synergistic marketing between corporate banking and retail banking to promote the cross-selling of financial products. We continued to innovate and develop our Financial IC Card, "Jinshitong", "Paper Gold", "Kins-Credit Card", and Personal Commercial Property Mortgage Loan. We completed our strategic layout of private banking services with a headquarters in Shanghai and 12 sub-divisions across the PRC. Number of private banking customers continued to increase and the assets under management increased significantly. In order to accelerate the penetration of sophisticated retail banking products in County Area, we launched a publicity campaign covering "a hundred counties and a thousand townships". We are among the industry leaders in terms of the number of financial professionals. At the end of June 2011, we had 10,085 domestic Associate Financial Planners (AFP), 1,246 international Certified Financial Planners (CFP) and more than 470 Executive Financial Planners (EFP).

Retail Loans

In the first half of 2011, we accelerated the transformation of the marketing of retail loans, focusing on wholesale marketing, synergistic marketing and standardized marketing. Through operational transformation, we improved the efficiency of our Retail Loan Centers. We launched new businesses including credit card installment and on-line payment and introduced start-up loan for individuals to support the development of private enterprises. In addition, we refined our retail loans system and pushed forward the development of electronic processing system. As of 30 June 2011, the balance of retail loans reached RMB1,320,716 million, representing an increase of 15.4% over the end of the previous year.

Retail Deposits

In the first half of 2011, we timely adjusted our marketing strategies for retail deposits business to focus on nurturing quality retail customers and retail deposits in County Area. We also made efforts to promote featured products, such as "Shuang Li Feng", auto-transfer, pooling of funds and "Smart Wealth Management", and developed an automatic time deposit transfer function with automatic interest adjustment. Our retail deposits achieved steady growth. At 30 June 2011, the balance of domestic retail deposits reached RMB5,564,424 million, representing an increase of RMB499,229 million over the end of the previous year.

Bank Cards

At the end of June 2011, we ranked the first among all the commercial banks in China in terms of bank cards issuance. The number of bank cards reached 447 million, including 418 million Kins Debit Cards, and 28.59 million credit cards (including quasi-credit cards). In the first half of 2011, bank card transaction volume reached RMB1,488,900 million, representing an increase of 58.4% compared to the same period of the previous year. Our merchants network had approximately 396,000 members. Total commission income generated by the bank card business reached RMB4,554 million, representing an increase of 58.1% compared to the same period of the previous year.

We continued to build our Kins card brand, improve its functionality and enhance the brand image. We assisted the Ministry of Finance, Ministry of Education, Ministry of Human Resources and Social Security to promote the Financial Assistance Card for Vocational School Student to facilitate the efficient payment of grant to vocational school students. In the first half of 2011, we launched 24 types of themed credit cards and Co-brand cards, and the total number of credit card type reached 230 types. We continued to improve the issuance and approval procedures of financial IC cards. We launched the first IC card product, Zhangjiajie Travel Debit Card and piloted the issuance of financial IC cards in compliance with the PBOC 2.0 standards.

Item	30 June 2011	31 December 2010	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	41,797.74	38,533.96	8.5
Number of credit cards issued (unit: 10,000)	2,465.79	2,125.34	16.0
	Six months ended 30 June 2011	**Six months ended 30 June 2010**	**Growth Rate (%)**
Transaction volume for debit cards (RMB100 million)	12,952.85	8,424.59	53.8
Transaction volume for credit cards (RMB100 million)	1,888.89	924.72	104.3

Agency Distribution of Fund Products

In the first half of the year, we distributed various fund products as an agent of a total transaction volume of RMB63,083 million and received fees and commissions of RMB662 million, continuing our leading position among the commercial banks in China. Working together with fund management companies, we launched four "one-to-many" wealth management products for selected customers, in order to satisfy investment and wealth management demands of medium-to-high-end customers. We also strived to promote our regular fixed amount fund investment and launched a series of marketing promotions, including "Jijinbao" Wealth Forum to further strengthen the brand awareness of our "Jijinbao" business.

Agency Sales of PRC Government Bonds

In the first half of 2011, we acted as an agent for the issuance and cashing of certificated PRC government bonds, with a transaction amount of RMB10,800 million and RMB18,840 million, respectively. We also served as an agent for the issuance and cashing of electronic PRC government bonds, with a transaction volume of RMB9,807 million and RMB6,150 million, respectively.

Private Banking Business

We strived to create a high-end customer service operation platform to satisfy our private banking customers' personalized and diversified demands by integrating our internal and external resources, applying a consulting service model, and strengthening the establishment of our consulting services team. We have launched specialized credit services for private banking business customers with large financing needs, specialized investment services and legal consulting services tailor-made for high-end customers, and value-added services of chartering corporate jets. We published the first issue of wealth management planning strategy report for private banking customers and launched 400-88-95599 private banking service hotline. In particular, we established close cooperation with Bank of Montreal in North America, to offer cross-border financial services to customers in relation to study abroad, migration or investment.

Treasury Operations

Money Market Activities

In the first half of 2011, China's monetary policy changed from moderately loose to prudent. To further control market liquidity and mitigate the inflation pressure, the PBOC raised deposit reserve ratio six times and benchmark interest rates for deposits and loans twice. The liquidity in RMB money market shifted between loose and tight positions and market interest rates fluctuated significantly, with the average level of interest rate moving upward. In the first half of 2011, our domestic RMB-denominated financing transaction volume amounted to RMB4,191,330 million, including lending of RMB3,732,310 million and borrowing of RMB459,020 million, which secured our leading position in the market in respect of both financing transaction volume and SHIBOR-quoting banks ranking.

We continued to adopt a prudent investing strategy for short-term foreign currency investment and dynamically adjust the arrangements for terms of financing to ensure our foreign currency liquidity. Besides, we also seized the investing opportunities to improve the profitability of our foreign currency operations.

Investment and Trading Activities

Trading Activities

In the first half of 2011, our RMB-denominated bond trading volume reached RMB580,641 million, ranking second among the four largest commercial banks in China and RMB interest rate swap transactions reached RMB157,600 million. Our RMB-denominated bond market maker business maintained a leading position by various standards. We were named "Outstanding Market Maker" by the National Association of Inter-bank Market Transactions for the first quarter.

We further strengthened our position as a market maker in the inter-bank foreign exchange market. The foreign exchange RMB spot transactions amounted to USD188,249 million, ranking second in the inter-bank market. The forward transactions amounted to USD8,014 million and the RMB foreign exchange swap transactions amounted to USD92,105 million.

Banking Book Activities

In the first half of 2011, the yield curve of RMB-denominated bonds was flattening with an upward shift. In addition to managing the investment portfolio durations, we appropriately increased our investment in high yield bonds. We increased our holdings in bonds with manageable risk and relatively high credit rating. At the end of the first half of 2011, the balance of our RMB-denominated bond investments in our banking book reached RMB2,432,488 million, representing an increase of RMB16,648 million compared to the end of the previous year.

In the first half of 2011, we continued to pursue a prudent foreign currency investment strategy and avoided investing in bonds issued by governments and financial institutions in southern Europe. Investment progress was managed in a flexible way and portfolio adjustments were dynamically made as and when appropriate. To control interest risk, we avoided investments in complicated structured products and moderately managed the portfolio durations. At the end of June 2011, our foreign bonds investment portfolio for our own account amounted to USD9,057 million.

Treasury Transactions on Behalf of Customers

We actively developed RMB settlement services to grasp the opportunity of the appreciation of RMB. In the first half of 2011, the transaction volume of our RMB settlement and sales on behalf of customers reached USD97,908 million, representing an increase of 28.6% compared to the same period of the previous year, and that of foreign exchange trading on behalf of customers amounted to USD12,798 million, representing an increase of 249.7% compared to the same period of the previous year.

Wealth Management

Retail Wealth Management

We continued to innovate our wealth management products in response to market changes and launched RMB-denominated vacation wealth management products "An Xin Express", physical gold linked wealth management products and a monthly open-ended bond wealth management product with medium-to-high levels of risk "Aggressive Earning". We also launched the "Ling Long", a new product series for high-end individual investors. Our Internet wealth management business grew rapidly after the streamlining of process and upgrading of sales functions of Internet banking, as our customers could redeem some products in real-time.

In the first half of 2011, the sales of our retail wealth management products amounted to RMB1,025,238 million.

Corporate Wealth Management

We developed and launched a wealth management product series, "Big Wealth", for high-end corporate customers. We also provided customized wealth management products tailored to the characteristics of institutional customers to better serve the wealth management demands of medium and large scale customers. In the first half of 2011, the sales of our corporate wealth management products increased significantly to RMB672,832 million compared to the same period of the previous year.

Banking-trust

In accordance with the relevant regulations of the CBRC, we started the check-up of our wealth management products for financing trust since 2010. We managed and controlled the scale of banking-trust business and selected trustees with high credit rating as partners. Our portfolio mainly focused on utilities projects invested by the PRC government. Since this year, some wealth management products for financing trust had gradually expired, which had minimal impact on our capital adequacy, provision coverage and results of operations.

Precious Metal Business

In the first half of 2011, the precious metal market maintained its strong momentum in 2010. Both gold and silver prices hit a record high while the investment and consumption of precious metal had maintained rapid growth. In the first half of 2011, we traded precious metals of 10,010 tons (including 460 tons of gold and 9,550 tons of silver) on behalf of customers and for our own account, and sold and repurchased 14.8 tons of retail physical gold, representing an increase of 710% and 149% respectively, compared to the same period of the previous year. The income of precious metal business was RMB566 million, representing an increase of 298% compared to the same period of the previous year.

Distribution Channels

Branch Outlets

We continued to upgrade the layout of branch outlets in medium and large cities and adjusted the layout of branch outlets in County Area to further enhance the coverage, distribution efficiency and comprehensive competitiveness of our branch outlets. We developed and adopted new technology systems and improved the technology management of our outlets. During the reporting period, we have completed the relocation of 331 branch outlets and the standardized transformation and renovation of 1,299 branch outlets. As of 30 June 2011, we had established 13,324 branch outlets with specific functional zones, 15,827 outlets with self service centers and 11,182 branch outlets with VIP service centers.

Electronic Banking

At the end of June 2011, our electronic banking customers surpassed 200 million, standing at over 213 million, representing an increase of 42% compared to the end of the previous year. In the first half of 2011, we completed approximately 9,488 million electronic transactions, representing an increase of 46% compared to the same period of the previous year. The utilization rate of electronic distribution channel accounted for 61.5% of our total number of transactions, representing an increase of 7.6 percentage points compared to the same period of the previous year.

Internet Banking

During the reporting period, we successfully launched version 5.1 of retail Internet banking system, completed the nationwide promotion of wealth management products and fund raising of retail Internet banking, to meet the diversified needs of customers. The Bank also commenced the operation of corporate inter-bank auto-remittance system, and optimized version 5.0 of corporate Internet banking system to improve the experience of our customers. In the first half of 2011, the total transaction volume of our retail Internet banking and corporate Internet banking were RMB27.11 trillion and RMB20.94 trillion, respectively.

During the reporting period, the click-through rate of our portal websites exceeded 1.5 billion, ranking second among banking websites in China.

Telephone Banking

In the first half of 2011, we promoted the version V4.2 of phone banking system and optimized its setup and transaction procedures. The total transaction volume of our phone banking business was RMB79.3 billion in the first half of 2011.

The Bank introduced the 400-88-95599 private banking customer service hotline at our Shanghai Customer Service Center to provide direct hotline service for our private banking customers. During the reporting period, we received 234 million calls via our 95599 Customer Service Center.

Mobile Banking

In the first half of 2011, we provided a wide range of services including account notification, account alert, money transfer and fee payment services to our customers through our mobile phone banking system that comprised of Mobile Banking (WAP version), Mobile Banking (3G version) and SMS Banking (Easy version). In the first half of 2011, the total transaction volume of our mobile banking business was RMB59.6 billion. We also had a total of 2,141 million short messages sent to customers contracted to our SMS Banking.

Self-Service Banking

In the first half of 2011, we installed the new version of self-service terminals in 36 branches and launched a pilot program to promote our business in money transferring through centralized phone banking. At the end of June 2011, we had 58,641 units of cash related self-service banking facilities, which ranked the top among all commercial banks in China, with a transaction volume of RMB3.20 trillion in the first half of 2011. We had 18,764 units of non cash-related self-service banking facilities with a transaction volume of RMB553.1 billion in the first half of 2011.

E-Commerce

We formulated a product system based on our integrated E-commerce payment and settlement platform to provide comprehensive services for three main groups of merchants in retail, wholesale and trading markets. Our E-commerce payment channel included Internet, mobile phones, fixed-line phones, self-servicing terminals and digital TV, and extended to merchants in 12 major industries including agricultural, forestry, husbandry and fishery industries, fund management and insurance, transportation and public utilities. In the first half of 2011, the total transaction volume of our merchant's network amounted to RMB150,043 million.

Overseas Business

We moved steadily forward in the development and establishment of overseas branch outlets. We continued to optimize asset structure and customer mix at our branches in Hong Kong and Singapore, strengthened the joint marketing and synergistic business development between domestic and overseas branches, and actively launched new services such as RMB settlement for cross-border trade. All businesses maintained good development momentum. ABC International Holdings Limited actively explored new business lines and devoted to develop into investment banking with diversified operations. Applications for upgrading the four representative offices in Seoul, London, New York and Tokyo to operating institutions were in good progress. At 30 June 2011, total assets of our overseas branches and subsidiaries reached RMB147,684 million, and the net profit was RMB486 million for the first half of 2011.

Information Technology

During the reporting period, we strengthened the operational management of IT system and made extensive efforts in the construction of our New-Generation Core Banking System. We also reinforced the innovation on the research and development of IT products and continued to improve the infrastructure of IT system. Our IT governance was continuously improved. All these efforts were made to provide strong technological support to the overall business development of the Bank.

Secure and Stable Operation of Information System

By pooling our competitive resources, we continued to promote the construction of an integrated production and operation system. Our optimization, standardization and automation of production and operation were continuously enhanced. Our Core Banking System maintained secure and stable operation while daily transaction volume kept hitting the record high, and reached 124 million in the peak time.

Advanced Stage of the Construction of New-Generation Core Banking System

The construction of New-Generation Core Banking System was progressing smoothly, and the implementation stage was officially commenced. Framework design of the New-Generation Core Business System, BoEing, was largely completed. We started to push forward with the design of details and the development stage.

Increased Efforts on Research and Development of Information Technology Products

We planned and implemented the construction of several major information systems, which provided a strong technological support for product innovation and decision making relating to operation. The key projects that were put into operations include the upgrade program for relevant applications of standards for 2010 version notes, integration of accounting and reporting system, promotion of image and electronic document platform, rating system for retail customer applications (credit cards) and phase II of the basic information platform. The IC card system was successfully launched and we officially issued debit, credit and electronic cash IC cards that are in compliance with the PBOC 2.0 Standard. Development of operating system with centralized operation, supervision and authorization achieved significant progress and the system was running smoothly. Bank-wide promotion was commenced and optimization was carried out continuously.

IT construction in overseas institutions also made significant achievement. The transfer of core system of Hong Kong Branch into Data Center and upgrade of core system and construction of statement system for Singapore Branch were completed. We also started the creation of e-banking system for Hong Kong Branch. A new synchronized model of research and development, testing and operation between both domestic and overseas branches and between the Head office and local branches was initially formed.

Continuous Improvements in IT Infrastructure

We continued to improve the IT infrastructure. We gradually established an environmental-friendly and intelligent information system infrastructure, featured by high efficiency, integration, utilization and usability, and low energy consumption and risks. The upgrade of two main processors in Shanghai and Beijing as well as the relocation of main processor in Beijing were completed successfully. We also commenced the project of the open platform system of automatic operation and maintenance and implemented the research on the open platform with dynamic and highly usable system framework.

Continuous Improvement of IT Governance

We further improved the working mechanism of IT, and strengthened the capability of our technology team. Management structure of IT with intensive management and specialized software development and operation was further consolidated. Coordination and cooperation between the head office and branches were strengthened. We also continued to improve the incentive and constraint mechanism. Framework of risk management system on IT was initially established.

Human Resources Management

Training and Development of Human Resources

During the reporting period, we upheld the strategic vision of "Accomplished Staff" to continuously optimize the training and development system of human resources. We launched "Six Major Projects" for senior management talents, reserve talents, talents for our international expansions, professional talents, talents with excellent leadership and technician talents. We were devoted to consolidating advantageous resources and training senior executives and experts in the key posts to lead the whole bank's staffs. Large-scale training programs for medium-level and senior executives were organized. We held training programs for young and middle-aged cadres and established an exchange system for the management teams of different provinces to cultivate reserve cadres. More efforts were exerted into staff training by providing centralized training, on-line training programs and self-learning in spare time. In order to strengthen our professional team, a trial appraisal and expertise-related promotion system for IT staff was launched to enhance the career development of IT professionals. We raised our quality in talent selection by broadening recruitment channels and standardizing our recruitment process, we successfully completed the project of employing about 1,000 university graduates who had been working as "village officials" after graduation. In addition, we also improved the efficiency in human resources cultivation and development by expediting the construction of basic information platform and on-line learning platform for our employees.

Management of Head office and Branch Organizations

During the reporting period, we further optimized the setup of our organization according to our overall strategic plan and needs for our operational development, and the organizational structure of the Bank as a whole was becoming more complete and intact. Based on the assessment of the impact of post-organizational reform and according to the principles of strategic-servicing, customer-oriented, regulatory-compliant, distinctive-functioning and simple and efficient operations, we consolidated and reorganized some of the Head Office departments to further simplify the organizational structure of Head Office. In responding to the need of establishing an integrated customer services center system, customer service center was set up under the Credit Card Center in Hefei, Anhui Province. Besides, we optimized the organization for the operational management to facilitate the operational and managerial reforms and focused on the centralized management of back-office business. In addition, to support the globalization strategy, we kept improving the management of overseas branches and strived to develop an organizational structure that complied with local regulatory requirements.

Management of Remuneration and Benefit

During the reporting period, we accelerated the reform of remuneration system and the promotion and application of information system for remuneration management. We proactively pushed forward our strategy of focused development of key urban branches and improved the remuneration evaluation management system mechanism, which based upon different positions of our branch senior executives. The specific remuneration mechanism of County Area Banking Business was further refined and the strategic incentive policy for the Huinong Cards and construction of E-Channel of County Area Banking Business was strengthened.

County Area Banking Business

We provided customers in County Area with a broad range of financial products and services through all the operating branches in the 2,004 counties or county-level cities (County Area) throughout China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business".

Reform of Operating Mechanism

Organizational Structure

During the reporting period, we further strengthened the leadership level of management structure of County Area Banking Division, endeavored to establish and implement an efficient management structure comprising three levels of supervision and guidance and one level of operation, which delineated the oversight responsibilities of Head Office, tier-1 branches and tier-2 branches. We endeavored to establish the direct management of county-level branches by provincial-level branches by adopting specific planning, direct performance assessment, extending authorization and resources allocation.

Credit Management

During the reporting period, the Bank endeavored to establish a separate credit management system for County Area, improved our credit policies and adjusted the loan portfolio. We focused on supporting urbanization, production of crop, cotton and oil, agricultural industrialization, and Small- and Medium-sized Enterprises as well as farmland water utilities construction projects in County Area. We strengthened the authorization, guarantee and post-disbursement management of credit business of sub-branches in County Area, and gradually improved our credit pricing.

Risk Management

The Bank continued to strengthen the County Area risk management organizational structure. We standardized and further implemented suspension and resumption management procedures of County Area credit products. We continued to optimize the authorization, credit granting, guarantee and business procedures. We endeavored to establish risk evaluation mechanism of County Area credit products and carried out pilot risk evaluations in selected branches. We also conducted periodic case analysis of risks in County Area Banking Business. Furthermore, we strengthened the direct supervision of county-level sub-branches, by appointing more on-site risk and compliance managers to sub-branches in County Area and putting into operation the information management system of risk and compliance managers.

Treasury and Capital Management

The Bank focused on establishing and refining the assets and liabilities management system of County Area Banking Division. We also refined the credit resource allocation mechanism that prioritized our County Area Banking Business and reasonably determined the total lendings in County Area Banking Business. The Bank refined the County Area credit planning management in accordance with the PRC government's macroeconomic policies and the seasonal characteristics of loans in County Area, and allocated more credit to pilot branches and large sub-branches in County Area.

Accounting and Performance Review

During the reporting period, we further improved the independent accounting and reporting system of County Area Banking Division, and upgraded the financial reporting sub-system under the new Integrated Financial Accounting and Reporting system (IFAR). We made separate plans of expenses and fixed assets for County Area Banking Division and allocated more financial resources to sub-branches in County Area. We enhanced incentive mechanism in County Area Banking Business, allocated incentive salaries to encourage the development of key sub-branches in County Area and Huinong Cards and small-amount loans to rural households.

Human Resources Management

In order to strengthen the local workforce in County Area, the Bank recruited through various channels such as campus recruiting, the recruiting program for university graduates who had been working as "village officials" and open recruiting. The Bank improved the personnel structure by appointing risk managers to sub-branches in County Area. We have strategically offered more competitive salaries in profitable areas and at key sub-branches. The Bank separately determined the total amount of salaries allocated to the County Area Banking Division, and adopted differentiated performance-review and remuneration plans as well as preferential measures. In addition, the Bank organized training programs in Hong Kong for the heads of sub-branches in County Area.

Research and Development of Products

During the reporting period, the Bank continued to reinforce innovation of products in County Area and further supported the research and promotion of County Area products. Head Office and branches conducted joint research and development of County Area banking products and established product development bases as leaders in the innovation of County Area banking products. We developed new products for County Area including self-service terminal "Jinyinong" and "Counties and Towns Fiscal Payment Platform". Based on our pilot programs, we also improved various products including loans for seasonal procurement, chattel mortgage of Small- and Medium-sized Enterprises in County Area, financing for credit insurance-covered customers in agricultural industrialization clusters. We developed certain special regional products, such as loans secured by operating rights of land, residential house and forestry rights of farmers, 95599 Payment System and financial services packages for Venture Park of Taiwanese Farmers.

County Area Corporate Banking Business

During the reporting period, we solidified and strengthened our leading position in corporate banking business in County Area, by focusing on areas such as agricultural industrialization, urbanization, merchandise distribution, utilities projects and Small- and Medium-sized Enterprises in County Area. We targeted leading enterprises of various industries as key customers. We completed the initial development stage of two new products: "Business Cluster Co-Guarantee Loan for Small- and Medium-sized Enterprises in County Area" and "New Countryside Construction Loans", and started the revision process of various products such as "County Area Merchandise Distribution Market Development Loans", "County Area Construction Loans" and "Loans Secured by Trade Receivables of Small- and Medium-sized Enterprises in County Area". The Head Office put more efforts into the head office-to-head office direct marketing on key clients, identified 18 enterprises as the core customers of County Area agricultural finance banking business, and formulated integrated financial service plans for major leading enterprises, such as New Hope, Mengniu and Yili.

At 30 June, 2011, our corporate deposits of County Area Banking Business was RMB1,266,224 million, accounting for 33.7% of total corporate deposits of the Bank and representing an increase of RMB96,196 million or 8.2% compared to the end of the previous year. Corporate loans of the County Area Banking Business amounted to RMB1,137,671 million, accounting for 29.4% of total corporate loans of the Bank and representing an increase of RMB99,715 million or 9.6% compared to the end of the previous year.

County Area Retail Banking Business

During the reporting period, the Bank promoted consumption loan for wage earners and actively explored high-net-worth retail customers in County Area. The Bank also encouraged branches to innovate region-specific retail credit products in County Area and expanded the coverage of mortgage loans for fishing vessels and privately-owned vessels and housing loans for rural households. We also rolled out loans for large agricultural clients with higher loan demands to lease large areas of land. At the same time, utilizing the nationwide branch outlets and personnel, we further expanded our new rural pension insurance and new rural cooperative medical insurance schemes. Currently, there are 544 sub-branches in County Area that obtained agency licenses of new rural pension insurance and 399 sub-branches that obtained agency licenses of new rural cooperative medical insurance. We expanded the coverage of service through E-banking and Tele-transfer machines, and continued to extend the use of electronic equipment and promoted cash withdrawal by Tele-transfer machines in County Area. We successfully explored a new channel of rural service with the Huinong Cross-Village Project. As of June 30, 2011, we placed a total of 14,300 ATMs, 8,857 Cash Recycling Machines, 154,000 POSs and 1.361 million Tele-transfer machines in County Area.

As of June 30, 2011, we issued a total of approximately 81.74 million Huinong Cards, representing an increase of 19.88 million cards compared to the end of the previous year. The retail loans of County Area Banking Business was RMB506,446 million, representing an increase of RMB68,886 million or 15.7% compared to the end of the previous year. The retail deposits of County Area Banking Business was RMB2,601,134 million, representing an increase of RMB240,991 million or 10.2% compared to the end of the previous year.

Financial Position

In the first half of 2011, our County Area Banking Business grew steadily and robustly, and both of its profitability and asset quality improved substantially. At 30 June 2011, the total assets of our County Area Banking Business amounted to RMB4,351,930 million, representing an increase of 13.2% compared to the end of the previous year. The total loans and advances to customers amounted to RMB1,668,445 million, representing an increase of 10.8% compared to the end of the previous year, and such growth rate continued to stand above the bank-wide average. In the first half of 2011, our County Area Banking Business recorded a profit before tax of RMB25,930 million, representing an increase of 78.6% compared to the same period of the previous year. At 30 June 2011, the non-performing loan ratio of County Area Banking Business decreased by 0.44 percentage point to 2.07% and the corresponding allowance to non-performing loans ratio increased by 50.26 percentage points to 210.18%, both compared to the end of the previous year.

Assets and Liabilities

The following table sets forth the major items of assets and liabilities of the County Area Banking Business on the dates shown below:

In millions of RMB, except for percentages

Item	30 June 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans and advances to customers, total	1,668,445	N/A	1,505,286	N/A
Allowance for impairment losses	(72,499)	N/A	(60,376)	N/A
Loans and advances to customers, net	1,595,946	36.7	1,444,910	37.6
Intra-bank balances[1]	2,452,488	56.3	2,196,002	57.1
Other assets	303,496	7.0	202,774	5.3
Total assets	**4,351,930**	**100.0**	**3,843,686**	**100.0**
Deposits from customers	3,978,816	97.4	3,612,346	97.9
Other liabilities	107,059	2.6	77,428	2.1
Total liabilities	**4,085,875**	**100.0**	**3,689,774**	**100.0**

Note: 1. Represents funds provided by our County Area Banking Business to other business within the Bank through internal funds transfers.

Profit

The following table sets forth, for the periods indicated, the results of operations of our County Area Banking Business:

In millions of RMB, except for percentages

	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (decrease)	Growth Rate (%)
External interest income	48,226	35,906	12,320	34.3
Less: External interest expense	25,502	20,210	5,292	26.2
Interest income from intra-bank balances	32,503	25,068	7,435	29.7
Net interest income	**55,227**	**40,764**	**14,463**	**35.5**
Net fee and commission income	13,509	8,770	4,739	54.0
Other non-interest income	674	638	35	5.5
Operating income	**69,410**	**50,172**	**19,237**	**38.3**
Less: Operating expenses	31,388	25,969	5,418	20.9
Provisions for impairment losses on assets	12,092	9,684	2,408	24.9
Total Profit before tax	**25,930**	**14,519**	**11,411**	**78.6**

Key Financial Indicators

The following tables set forth key financial indicators of our County Area Banking Business at the dates or for the periods indicated.

Unit: %

Item	Six months ended 30 June 2011	Six months ended 30 June 2010
Return on average total assets	0.99*	0.69*
Average yield of loans	6.09*	5.47*
Average cost of deposits	1.36*	1.21*
Ratio of net fee and commission income to operating income	19.46	17.48
Cost-to-income ratio	40.70	47.03
Item	**30 June 2011**	**31 December 2010**
Loan-to-deposit ratio	41.93	41.67
Non-performing loan ratio	2.07	2.51
Allowance to non-performing loans ratio	210.18	159.92
Allowance to total loans ratio	4.35	4.01

* *Indicates annualized data.*

Risk Management

Comprehensive Risk Management System

In the first half of 2011, the Bank continued to implement the comprehensive risk management system agenda and the prudent risk strategy preference to enhance the risk management capability. We persistently optimized the organizational structure of risk management, and further adjusted the risk management responsibilities of business departments. We refined the Head Office risk management departments, including credit management department, credit approval department, internal control and legal and compliance department, special asset management department, together with our risk management department which constitute the risk management division. We also appointed risk and compliance managers to sub-branches in County Area, and reinforced the day-to-day management and performance assessment as well as strengthened the capabilities of the on-site staff. In addition, the Bank further optimized risk management policy system and implemented administrative measures on credit risk limits, country risks, risks associated with the maturities of loans and asset pool wealth management business. We also formulated the risk preference statement and administrative measures.

During the reporting period, the Bank accelerated the implementation of the New Basel Capital Accord. We also enhanced the application of non-retail Internal Ratings-Based (IRB) System, optimized the relevant policies and regulations and applied the 16-grade rating system as well as upgraded the Risk-Weighted Asset (RWA) calculation engine. We adopted the retail IRB system and commenced its trial operation as well as promoted the development of the retail rating system and the retail credit risk data warehouse. The Bank was in the progress of commencing the application of Internal Model Approach (IMA) for market risk management and completed the statement of demand on market risk data warehouse. We advanced the application of the operational risk evaluation methods and key risk indicators to our risk management. We also prepared the adoption of the Advance Measurement Approach for operational risk management and conducted research of such approach.

We continued to closely watch the changes in macroeconomic and financial environment as well as the operations of the Bank. We periodically submitted related risk reports to the Directors, the senior management and Risk Management Committees. The Bank carried out the research and development of the Risk Monitoring and Reporting System, and fully utilized the management tools like Internal Ratings-Based System and risk exposure limits, to improve the efficiency and comprehensiveness of risk reporting.

Credit Risk

Credit risk is the risk of loss arising from the default by an obligor or a counterparty when payments fall due. We are exposed to credit risks arising primarily from our loan portfolio, investment portfolio, guarantee business and various other on-and off-balance sheet credit risk exposures.

Credit Risk Management

In the first half of 2011, we focused on our policies of restructuring, risk management and foundation building, and continued to refine the mechanism and system of credit risk management in compliance with the PRC government's macroeconomic control policies in response to changes in macroeconomic and financial environment. We reinforced risk control for key areas, strengthened the customer list-based classification management and the industry-specific risk exposure limit management. We also strictly terminated loans to customers with risks and strengthened the recovery and disposal of doubtful and loss loans, and adjusted and refined the loan portfolio.

- The Bank strengthened the development of credit management policies and systems. We formulated the credit policy guidelines for 2011 and the industry-specific risk exposure limit management plans, and also carried out region-specific credit policies of Chongqing Liangjiang New Area. We formulated administrative measures to manage the financing businesses via trust and with small loans companies in order to standardize our business development. We strengthened the customer list-based classification management and expanded the coverage to 15 industries, including iron and steel, cement, real estate, vehicles and textiles.

- The Bank optimized credit authorization management and advanced the reform on credit approval mechanism. We revised the administrative measures of credit authorization and further enhanced authorization mechanism by strictly controlling the proportion and the scope of authorization, differentiating management of credit authorization and adjusting the authorization dynamically. In addition, the Head Office reserved the sole discretion for approving high risk businesses including loans to government financing vehicles and real estate. We established Credit Approval Department in the Head Office to enhance the effectiveness and quality of credit review and approval.

- The Bank enhanced the management of the industry-specific exposure limits to enhance comprehensive risk control ability. We carried out imperative credit exposure limits on specific industries such as iron and steel, cement and real estate, and controlled industry-specific risk exposures and industry systematic risks. We also developed the industry-specific risk exposure limit management system and integrated the system into the procedures of credit business.

- The Bank enhanced the risk control on key business and proactively mitigated risks. We strictly restrained loans to government financing vehicles and real estate, and strengthened the control of the existing loans to government financing vehicles, conducted bank-wide inspection of the risks on loans to government financing vehicles, enhanced customer list-based management, analyzed and monitored the risks of each core account, and strengthened the management of due loans. We carried out more prudent risk classification standards on loans to government financing vehicles. We also raised the approval criteria of real estate customers and projects, and implemented imperative exposure limits. We strengthened and improved stress tests on real estate loans, and the test results were used as references for credit review and approval.

- The Bank improved risk management of retail loans and credit card business. We reviewed and optimized the regulatory system of retail loan business and formulated the administrative measures of suspension and resumption of retail loan business. We centralized the retail loan business by moving the middle and back office operations to the Retail Loan Center of tier-2 branches and achieved professional operation, streamlined procedures, centralized management and standardized operation. We revised the risk management measures of credit card business, enhanced the monitoring system of credit card fraud and broadened the application of risk management information system to the credit card business.

- The Bank enhanced post-disbursement management. We strengthened compliance examination, strictly monitored the utilization of loans and further enhanced the proportion of entrusted payment. We established regular meeting policy of post-disbursement management for core customers and regular off-site inspection policy. We reinforced the collateral management, imposed strict criteria on external evaluation agencies, monitored the value of collateral and conducted the post-disbursement revaluation.

- The Bank strengthened the risk management of County Area Banking Business. Please refer to "County Area Banking Business — Reform of Operating Mechanism — Risk Management" in this interim report.

- The Bank strengthened the management of risk classification on credit assets. We refined our risk classification system of credit assets and reinforced the detection and monitoring of the risk of existing loans and timely adjusted the classification for loans with risks.

- The Bank promoted the development of information system. We promoted and streamlined the Credit Management System Cluster (C3) by integrating credit management policies into the C3 to enhance the effectiveness of such policies. We also developed alerting and supervising system and the credit business management system.

- To strengthen the management on disposal of non-performing assets, we formulated operation procedures of bond investment write-offs, and established the rules for debt exemptions of entrusted assets, the write-off of bad debts, collateral management of non-performing loans, filing of non-performing asset disposal and due diligence supervision. We drafted the compliance handbook of asset disposal business, and further standardized the management of disposal business.

Credit Risk Analysis

The table below sets out the maximum credit risk exposure (before taking into account any collateral held or other credit enhancements of the Bank):

Maximum Exposure to Credit Risk

In millions of RMB

Item	30 June 2011	31 December 2010
Balances with central banks	2,389,099	2,020,679
Deposits with banks and other financial institutions	97,435	77,893
Placements with banks and other financial institutions	261,723	95,375
Financial assets at fair value through profit or loss	55,657	50,257
Derivative financial assets	8,838	9,173
Financial assets held under resale agreements	637,645	525,331
Loans and advances to customers	5,187,987	4,788,008
Available-for-sale financial assets	739,434	664,067
Held-to-maturity investments	1,044,664	1,036,658
Debt securities classified as receivables	706,547	772,013
Other financial assets	68,941	45,200
On-balance sheet items	11,197,970	10,084,654
Credit commitments	2,040,516	1,640,446
Total	**13,238,486**	**11,725,100**

Distribution of Loans by the Type of Collateral

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	2,403,736	44.6	2,208,766	44.6
Loans secured by pledges	554,241	10.3	535,659	10.8
Guaranteed loans	1,274,715	23.7	1,190,599	24.0
Unsecured loans	1,151,221	21.4	1,021,717	20.6
Total	**5,383,913**	**100.0**	**4,956,741**	**100.0**

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	23,908	0.4	21,172	0.4
Overdue for 91 to 360 days	8,241	0.2	10,027	0.2
Overdue for 361 days to 3 years	26,770	0.5	35,179	0.7
Overdue for more than 3 years	13,967	0.3	9,366	0.2
Total	**72,886**	**1.4**	**75,744**	**1.5**

Restructured Loans and Advances

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Restructured loans and advances	11,100	0.2	10,612	0.2

Loan Concentration

In millions of RMB, except for percentages

Top 10 single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	21,525	0.40
Borrower B	Production and supply of power, gas and water	17,329	0.32
Borrower C	Real estate	11,535	0.21
Borrower D	Construction	10,972	0.20
Borrower E	Manufacturing	10,474	0.19
Borrower F	Real estate	10,000	0.19
Borrower G	Manufacturing	9,939	0.19
Borrower H	Production and supply of power, gas and water	9,076	0.17
Borrower I	Transportation, logistics and postal services	8,942	0.17
Borrower J	Water, environment and public utilities	8,717	0.16
Total		**118,509**	**2.20**

At 30 June 2011, the loans granted to the largest single borrower and the loans granted to the top ten borrowers accounted for 3.00% and 16.53% of net capital base of the Bank, respectively, which were in compliance with the regulatory requirements.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

	30 June 2011		31 December 2010	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Normal	4,983,702	92.57	4,539,665	91.58
Special mention	310,163	5.76	316,671	6.39
Non-performing loans	90,048	1.67	100,405	2.03
Substandard	30,627	0.57	34,987	0.71
Doubtful	50,764	0.94	57,930	1.17
Loss	8,657	0.16	7,488	0.15
Total	**5,383,913**	**100.00**	**4,956,741**	**100.00**

At 30 June 2011, the balance of our non-performing loans was RMB90,048 million, representing a decrease of RMB10,357 million compared to the end of the previous year. Non-performing loan ratio decreased by 0.36 percentage point to 1.67%. The balance of special mention loans was RMB310,163 million, representing a decrease of RMB6,508 million compared to the end of the previous year. Special mention loans accounted for 5.76% of total loans, representing a decrease of 0.63 percentage point.

The quality of our loans has been improved mainly because the Bank (1) timely revised and issued industry-specific credit policies according to the changes in macroeconomy and applicable regulatory requirements so as to mitigate credit risks associated with specific industries, and adopted more stringent customer access; (2) implemented industry-specific risk exposure limit management and customer list-based management, managed the suspension and resumption of products of County Area Banking Business, and terminated business with customers with potential risks, all of which significantly reduced our new non-performing loans; (3) developed and applied innovative techniques and tools for risk management to enhance the ability to identify, measure and respond to risks; and (4) made successful efforts on the recovery and disposal of non-performing loans.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

	30 June 2011			31 December 2010		
Item	**Amount**	**Percentage (%)**	**NPL ratio (%)**	**Amount**	**Percentage (%)**	**NPL ratio (%)**
Corporate loans	79,069	87.8	2.04	89,157	88.8	2.48
Short-term corporate loans	33,903	37.6	2.14	38,645	38.5	2.74
Medium- and long-term corporate loans	45,166	50.2	1.98	50,512	50.3	2.31
Discounted bills	116	0.1	0.13	39	0.1	0.03
Retail loans	10,632	11.8	0.81	10,967	10.9	0.96
Residential mortgage loans	4,279	4.8	0.52	4,715	4.7	0.65
Personal consumption loans	478	0.5	0.34	454	0.5	0.34
Loans to private businesses	2,247	2.5	1.50	2,522	2.5	1.94
Credit card balances	611	0.7	0.95	488	0.5	1.29
Loans to rural households	2,201	2.4	1.64	1,835	1.8	1.59
Others	816	0.9	27.42	953	0.9	28.85
Overseas and others	231	0.3	0.22	242	0.2	0.32
Total	**90,048**	**100.0**	**1.67**	**100,405**	**100.0**	**2.03**

At 30 June 2011, the balance of non-performing corporate loans was RMB79,069 million, representing a decrease of RMB10,088 million over the end of the previous year, and non-performing loan ratio of corporate loans decreased by 0.44 percentage point to 2.04%. The balance of non-performing retail loans decreased by RMB335 million to RMB10,632 million over the end of the previous year, and non-performing loan ratio of retail loans decreased by 0.15 percentage point to 0.81%.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

Item	30 June 2011			31 December 2010		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Head Office	1	–	–	2,001	2.0	2.61
Yangtze River Delta	14,775	16.4	1.01	15,760	15.7	1.16
Pearl River Delta	13,254	14.7	1.71	13,727	13.7	1.91
Bohai Rim	14,460	16.1	1.53	16,503	16.4	1.90
Central China	12,525	13.9	1.95	14,142	14.1	2.35
Northeastern China	4,519	5.0	2.34	5,065	5.0	2.91
Western China	30,283	33.6	2.58	32,965	32.9	3.03
Overseas and others	231	0.3	0.22	242	0.2	0.32
Total	**90,048**	**100.0**	**1.67**	**100,405**	**100.0**	**2.03**

At 30 June 2011, the overall quality of our loans was improved while the balance of non-performing loans and the non-performing loan ratio both decreased in each region. The balance of non-performing loans decreased most significantly in Western China, Bohai Rim and Head Office by RMB2,682 million, RMB2,043 million and RMB2,000 million, respectively.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2011			31 December 2010		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Manufacturing	26,467	33.5	2.30	29,298	32.8	2.80
Production and supply of power, gas and water	11,515	14.6	2.72	13,274	14.9	3.37
Real estate	7,275	9.2	1.36	9,597	10.8	1.77
Transportation, logistics and postal services	5,247	6.6	1.23	5,250	5.9	1.36
Wholesale and retail	9,041	11.4	2.56	8,676	9.7	2.97
Water, environment and public utilities management	3,817	4.8	1.93	5,079	5.7	2.38
Construction	3,791	4.8	2.27	4,078	4.6	2.74
Mining	548	0.7	0.39	494	0.6	0.43
Leasing and commercial services	2,061	2.6	0.84	2,805	3.1	1.33
Information transmission, computer service and software	206	0.3	1.45	247	0.3	1.31
Others	9,101	11.5	4.24	10,359	11.6	4.58
Total	**79,069**	**100.0**	**2.04**	**89,157**	**100.0**	**2.48**

The balance of both non-performing loans and non-performing loan ratio in major industries decreased. The balance of non-performing loans decreased most significantly in three industries, namely (1) manufacturing; (2) real estate; and (3) production and supply of power, gas and water, by RMB2,831 million, RMB2,322 million and RMB1,759 million, respectively.

Changes to Allowance for Impairment Losses on Loans

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
At 1 January 2011	58,501	110,232	168,733
Net additions	(4,791)	32,443	27,652
Write-offs	(39)	(2)	(41)
Transfer-in/out			
— Recovery of loans and advances written off in previous periods	4	4	8
— Unwinding of discount on allowance	(282)	(49)	(331)
— Exchange difference	(23)	(72)	(95)
At 30 June 2011	**53,370**	**142,556**	**195,926**

At 30 June 2011, the balance of allowance for impairment losses on loans amounted to RMB195,926 million, representing an increase of RMB27,193 million over the end of the previous year. Specifically, the balance of allowance for impairment losses on a collectively assessed basis amounted to RMB142,556 million, increased by RMB32,324 million over the end of the previous year; the balance of allowance for impairment losses on an individually assessed basis was RMB53,370 million, decreased by RMB5,131 million over the end of the previous year. Allowance to non-performing loans ratio increased by 49.53 percentage points over the end of the previous year to 217.58%, and allowance to total loans ratio was 3.64%, in compliance with regulatory requirements. Our ability to withstand the risks we face was further increased.

Market risk

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of banks as a result of adverse changes in market prices. Market risk is divided into interest rate risk, exchange rate risk, stock price risk and commodity price risk. Our market risks mainly include interest rate risk and exchange rate risk.

During the reporting period, we continued to improve the system of market risk management policies and procedures, and formulated policies on treasury transactions and market risk management for 2011. We formulated specific risk policies on trading investments, banking book, wealth management business and innovative businesses. We also refined the system of market risk limits and scenario settings of stress testing. We were in the progress of commencing the application of Internal Model Approach for market risk management, completed the statement of demand on market risk data warehouse and drafted the statement of demand on the Standardized Approach system development. We also completed the bidding and procurement procedures of consultation project on Internal Model Approach for market risk management and Proof of Concept (POC) of calculation engines.

Separation of Trading Book and Banking Book

In order to manage market risk in a more specific way and accurately measure the regulatory capital, all of our on- and off-balance sheet assets and liabilities are classified into trading book and banking book. The trading book includes the financial instruments and commodities positions held for trading or hedging purposes. Any other positions are included in the banking book.

Market Risk Management for Trading Book

We managed the market risk of the trading book by methodologies such as exposure limit management, sensitivity analysis, duration analysis, stress testing and value at risk (VaR).

During the reporting period, we continued to strengthen and improve our market risk management of the trading book. We formulated policies on treasury transaction investments and market risk management and administrative measures for market risk management of asset pool wealth management business for 2011. We were in the progress of commencing the application of Internal Model Approach for market risk management. Phase II of our treasury transaction management system has commenced operation. In addition to improving the management systems for the precious metal transaction and interest rate swap business, we also further streamlined and refined the back office operational procedures for treasury transactions, which resulted in more effective risk management.

Market Risk Management for Banking Book

We managed the market risk of the banking book by measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to risk of losses to our income or economic value caused by adverse movements of the statutory or market interest rates. The interest rate risks of our banking book mainly arise from a mismatch of the maturity or re-pricing dates of our interest rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rates on which our assets and liabilities are based, respectively.

In the first half of 2011, we closely watched the macroeconomic trend and the movements of interest rates and monitored re-pricing gap of assets and liabilities sensitive to interest rates through gap analysis. With enhanced the management of pricing and re-pricing period, we regularly carried out stress tests to ensure that the interest rate risk exposure was controlled within an acceptable level.

Exchange Rate Risk Management

Exchange rate risk refers to risk due to mismatches in the currency denominations of our assets and liabilities. Exchange rate risk mainly consists of the trading exchange rate risks that could be hedged against, and the exchange rate risk caused by structural assets and liabilities (the "structural exchange rate risk"), which are difficult to be mitigated in operations.

In the first half of 2011, we further improved the management on exchange rate risk exposure and the currency structure of assets and liabilities. We enhanced measurement and control of exchange rate risk by regularly monitoring exchange rate risk exposure and conducting sensitivity analyses. The Bank also coordinated and developed the foreign currency-denominated deposits and loans by regulating exposure limit and controlled the bank-wide exposure of the exchange rate risk within a reasonable scope.

Market Risk Exposure Limit Management

In the first half of 2011, we further improved the market risk exposure limit system. We formulated the list of market risk exposure limits for 2011. The exposure limits that departments, in charge of treasury and investment and bearing the market risk, must observe in designing products and conducting businesses have been clearly set up. We refined the categorization of exposure limits concerning fund transactions and wealth management products, further expanded the business scope covered by market risk exposure limits, and enhanced the business sensitivity and efficacy of exposure limits.

Interest Rate Risk Analysis

At 30 June 2011, the accumulative negative gap sensitive to interest rate due within one year amounted RMB405,220 million, representing a decrease of RMB371,166 million in absolute amount compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1 to 3 months	3 to 12 months	Sub-total of 1 year and below	1 to 5 years	Over 5 years	Non-interest earning
30 June 2011	(1,825,701)	854,503	565,978	(405,220)	(67,602)	950,636	3,402
31 December 2010	(2,392,729)	704,969	911,374	(776,386)	147,712	1,052,323	(7,731)

Note: Please refer to "Note 45.3 to the Financial Statements: Market Risk" for details.

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2011		31 December 2010	
	Movements in net interest income	Movements in equity	Movements in net interest income	Movements in equity
Increase by 100 basis points	(8,253)	(13,887)	(13,638)	(15,273)
Decrease by 100 basis points	8,253	14,653	13,638	16,333

The above interest rate sensitivity analysis shows the movements in net interest income and equity under different interest rates. Such analysis is based on the assumption that there is a parallel shift in the yield curve and in the interest rates, and takes no consideration of the action that the management may take to reduce interest rate risk.

Based on our assets and liabilities at 30 June 2011, net interest income for the year instantaneously following 30 June 2011 will decrease (or increase) by RMB8,253 million if interest rates instantaneously increase (or decrease) by 100 basis points. Equity will decrease by RMB13,887 million if interest rates instantaneously increase by 100 basis points, or increase by RMB14,653 million if interest rates instantaneously decreased by 100 basis points.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In the first half of 2011, the average exchange rate of RMB appreciated against USD by 1,511 basis points or 2.3% accumulatively. At 30 June 2011, our net foreign exchange exposure of domestic financial asset/liabilities amounted to USD1,672 million, representing an increase of USD1,902 million compared to the end of the previous year. The increase was mainly due to the expiry of some of the derivative financial instruments during the reporting period, resulting in increased foreign exchange financial assets.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2011		31 December 2010	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	(39,030)	(6,031)	(30,117)	(4,547)
Net foreign exchange exposure of overseas financial assets/liabilities	49,850	7,703	28,593	4,317
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	10,820	1,672	(1,524)	(230)

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax: 30 June 2011	Impact on profit before tax: 31 December 2010
USD	+1%	(167)	(247)
	-1%	167	247
HKD	+1%	(192)	(54)
	-1%	192	54

Liquidity Risk

Liquidity risk refers to the risk of being unable to liquidate a position in a timely manner to acquire sufficient funds or the risk of failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Our liquidity risk lies in concentrated cash withdrawals, massive deferred payment by borrowers, serious mismatches of assets and liabilities maturities and the difficulties in liquidating large-value assets.

Liquidity Risk Management

In the first half of 2011, the macroeconomic environment was complicated and ever-changing and monetary policy was gradually tightened. During this period, the deposit reserve ratio and the benchmark interest rates raised six times and twice, respectively, and the deposit reserve ratio broke through the record high. The liquidity of the inter-bank market was continuously tightened, the market interest rate gradually increased with an intensified fluctuations and the liquidity risks increased.

We closely monitored the change of the monetary policy and the increases in deposits and loans to adjust our liquidity management strategy accordingly. We measured and monitored the liquidity risks in a timely manner by monitoring our surplus reserves on a real time basis, measuring fund position on a daily basis and conducting stress tests regularly. We placed more efforts on the marketing of deposits, kept easy access to market financing, maintained the stability of funds and sound liquidity. We strengthened the management on forecasting and reporting procedures of large amount of funds and reasonably managed the turnover of the capital flow. We also consummated our liquidity contingency plans and ensured the operation of the payment business and increased the statutory deposit reserves. The liquidity of the Bank was secure and under our control.

Liquidity Gap Analysis

The table below sets out net positions of our liquidity at the dates indicated.

In millions of RMB

	Past due/ Undated	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
30 June 2011	2,059,074	(6,015,819)	417,898	133,794	128,148	1,291,451	2,466,670	481,216
31 December 2010	1,736,220	(5,715,521)	259,754	(44,614)	280,782	1,465,927	2,433,370	415,918

Note: Please refer to "Note 45.2 to the Financial Statements: Liquidity Risk" for details.

We conducted liquidity gap analysis to assess liquidity risks. At 30 June 2011, the positive gap within 1 month enlarged, and the negative liquidity gap within 1 to 3 months turned to positive, mainly due to the increase in short-term assets such as placements with banks and other financial institutions, in response to the liquidity tightening measures of the PBOC.

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal control procedures, from human or information technology system related factors, or from external affairs, including legal risk, but not including strategic risk or reputational risk.

In the first half of 2011, the Bank persistently refined the operational risk management mechanism. We proactively developed the centralized back-office operation, monitoring and authorization, which were adopted by more than half of our tier-1 branches. Effectiveness of our management of basics was significantly enhanced. We carried out the risk evaluation of Processing and Settlement Center. We also determined risks and risk levels qualitatively and quantitatively in certain aspects, including personnel, procedures and information system with the methods and tools covering risk identification, self-evaluation of operational risk and control management and missing data collection, and developed a systematical rectification mechanism. Furthermore, we strengthened the management of operational risk reporting, as well as improved the quality of missing data collection. In addition, the Bank continuously monitored key risk indicators. We enhanced the application of the results generated from the monitoring indicators, and incorporated such results into the bank-wide risk evaluation and economic capital measurements. We also further strengthened risk monitoring and control on information technology and proactively ensured the continuity of our business operations.

Anti-Money Laundering

In the first half of 2011, the Bank further improved the Anti-Money Laundering (AML) management system, enhanced the quality of AML management and fulfilled the legal responsibility in respect of AML. We endeavored to establish an effective risk monitoring and analysis mechanism and enhanced the quality of AML data reporting. We upgraded the risk management system of customers, strengthened the "know-your customers" procedures, effectively carried out risk management of customers, and improved our capability on risk control. We assisted relevant authorities with AML inspection and performed our obligations concerning anti-terrorism financing. We played an active role in fighting against local and international money laundering and terrorism financing.

Capital Management

We coordinated the overall operation of book capital, regulatory capital and economic capital through a series of capital management approaches, including measurement, planning, allocation, monitoring, assessment and application of capital. During the reporting period, we strengthened our capital adequacy and monitored the utilization of the regulatory capital in accordance with the basic capital management principles determined under our capital plans for 2010 to 2012. We successfully issued Subordinated Bonds of RMB50 billion to further improve our capital adequacy. We participated in several quantitative measurements organized by the CBRC as required under the regulatory policies of the CBRC as well as Basel II and III, and further optimized our internal capital adequacy calculation model as well as enhanced our capital management in light of such measurement results.

Financing Management

On 2 March 2011, the issuance of Subordinated Bonds of not exceeding RMB50 billion in the inter-bank bond market was approved by the first extraordinary general meeting for 2011 of the Bank.

On 7 June 2011, we issued Subordinated Bonds of RMB50 billion in the inter-bank bond market under the approval of the PBOC and the CBRC. Such Subordinated Bonds have a tenor of 15 years, a fixed coupon rate of 5.3% per annum, and are subject to interest payment once a year. We are entitled to redeem all the Subordinated Bonds on the 10th anniversary of the issuance at par value. The proceeds from the issuance of Subordinated Bonds were included in the supplementary capital of the Bank under relevant requirements of *Administrative Measures on Capital Adequacy of Commercial Banks*.

Economic Capital Allocation and Management

We formulated economic capital allocation policies for 2011, established a new value-creation-oriented mechanism of economic capital allocation and reinforced gross constraint and limit control over economic capital . We were in the progress of initiating Internal Capital Adequacy Assessment Process (ICAAP) to improve our capital planning capacity. Based on the New Capital Accord, we optimized economic capital measurement methods and applied non-retail IRB approach in measuring economic capital of corporate loans. Risk indicators were included in measuring economic capital of operational risk. We also tightened economic capital constraint and enhanced the sensitivity of the measurement results to risks.

Capital Adequacy Ratio

We calculate and disclose capital adequacy ratio in accordance with the Administrative Measures on Capital Adequacy of Commercial Banks and other related regulatory requirements promulgated by the CBRC. At 30 June 2011, our capital adequacy ratio and core capital adequacy ratio were 11.91% and 9.36%, respectively, representing an increase of 0.32 percentage point and a decrease of 0.39 percentage point compared to the end of the previous year, respectively.

Capital Adequacy Ratio

In millions of RMB

Item	30 June 2011	31 December 2010
Core capital:		
Share capital	324,794	324,794
Capital reserves	94,877	96,602
Surplus reserve and general risk reserves	81,978	75,577
Retained earnings[1]	61,509	27,945
Minority interest	177	165
Total core capital	563,335	525,083
Supplementary capital:		
General provision	53,839	49,567
Long-term Subordinated Bonds	100,000	50,000
Cumulative gain in fair value	419	248
Total supplementary capital	154,258	99,815
Total capital base before deductions	717,593	624,898
Deductions:		
Equity investments which are not consolidated	528	484
Other deductible item[2]	283	290
Total capital base after deductions	716,782	624,124
Risk-weighted assets and market risk capital adjustment	6,018,954	5,383,694
Core capital adequacy ratio	**9.36%**	**9.75%**
Capital adequacy ratio	**11.91%**	**11.59%**

1. *Cash dividends estimated to be paid were deducted.*
2. *Investments in real properties not used by the owners were deducted in accordance with the Administrative Measures on Capital Adequacy of Commercial Banks promulgated by the CBRC.*

Changes in Share Capital

Details of changes in share capital

Unit: share

	31 December 2010		Increase/decrease during the reporting period (+/-)			30 June 2011	
	Number of shares	Percentage (%)	New shares issued	Others[3]	Subtotal	Number of shares	Percentage (%)
1) Shares subject to restrictions on sales[1]	**291,981,302,904**	**89.9**	**—**	**-912,960,000**	**-912,960,000**	**291,068,342,904**	**89.6**
1. State-owned shares[2]	268,484,705,904	82.7	—	—	—	268,484,705,904	82.7
2. Shares held by other domestic investors[2]	10,228,235,000	3.1	—	—	—	10,228,235,000	3.1
3. Shares held by foreign investors[2]	13,268,362,000	4.1	—	-912,960,000	-912,960,000	12,355,402,000	3.8
2) Shares not subject to restrictions on sales	**32,812,814,096**	**10.1**	**—**	**912,960,000**	**912,960,000**	**33,725,774,096**	**10.4**
1. RMB-denominated ordinary shares	15,342,353,000	4.7	—	—	—	15,342,353,000	4.7
2. Foreign-invested shares listed overseas[2]	17,470,461,096	5.4	—	912,960,000	912,960,000	18,383,421,096	5.7
3) Total number of shares	**324,794,117,000**	**100.0**	**—**	**—**	**—**	**324,794,117,000**	**100.0**

Notes: 1. "Shares subject to restrictions on sales" refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings.

2. "State-owned shares" refers to the shares held by the MOF, Huijin, the SSF and the SSF-Account III for state-owned shares transfer managed by the SSF.

"Shares held by other domestic investors" refers to the shares held by strategic investors of A shares.

"Shares held by foreign investors" refers to the shares held by foreign cornerstone investors.

"Foreign-invested shares listed overseas" refers to the H shares as defined in "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of the CSRC.

3. "Others" refers to the H shares held by several cornerstone investors and which have been released from shares subject to restrictions on sales due to the expiry of the lock-up period relating to such shares. Positive numbers represent increases whereas negative numbers represent decreases.

Details of changes in shares subject to restrictions on sales

Unit:share

Name of shareholders	Number of shares subject to restrictions on sales at the beginning of the period	Number of shares released from restrictions on sales during the period[4]	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales at the end of the period	Reason for restrictions on sales	Date of release of restrictions on sales
MOF	127,361,764,737	—	—	127,361,764,737	Restrictions upon issuance	15 July 2013
Huijin	130,000,000,000	—	—	130,000,000,000	Restrictions upon issuance	15 July 2013
SSF[1]	11,122,941,167	—	—	11,122,941,167	Restrictions upon issuance	15 July 2013 15 May 2015
Strategic investors of A shares[2]	10,228,235,000	—	—	10,228,235,000	Restrictions upon issuance	15 July 2011 15 January 2012
Cornerstone investors of H shares[3]	13,268,362,000	912,960,000	—	12,355,402,000	Restrictions upon issuance	16 July 2011
Total	**291,981,302,904**	**912,960,000**	**—**	**291,068,342,904**	**—**	**—**

Notes: 1. It represents the shares held by the SSF and the shares held by the SSF-Account III for state-owned shares transfer.

2. The lock-up period of 50% of the shares held by strategic investors of A shares was 12 months from the listing date of A shares, while the lock-up period of the remaining 50% shares was 18 months from the listing date of A shares.

3. The lock-up period of shares held by six cornerstone investors of H shares, including Qatar Investment Authority, was 12 months from the listing date of H shares. The lock-up period of 50% of the shares held by the other cornerstone investors was six months from the listing date of H shares and the remaining 50% of shares held by them was 12 months from the listing date of H shares. Shares subject to restrictions on sales held by cornerstone investors of H shares reduced owing to the expiry of the lock-up period of such shares and which have been released from restrictions on sales.

4. The number of shares released from restrictions on sales on 15 July 2011 and 16 July 2011 are not included in the number of shares released from restrictions on sales during this period.

Particulars of Shareholders

The number of shareholders and particulars of shareholding

As of 30 June 2011, the Bank had a total of 384,439 shareholders, including 31,239 H share shareholders and 353,200 A share shareholders.

Particulars of the shareholdings of the top 10 shareholders (the shareholdings of H shareholders is based on the data set out in the register of members of the Bank maintained in the H share registrar)

Unit: share

Total number of shareholders	**384,439** (as set out in the registers of shareholders of A shares and H shares as of 30 June 2011)					
Particulars of shareholdings of the top 10 shareholders (the data set out below was based on the registers of shareholders as of 30 June 2011)						
Name of shareholders	**Nature of shareholders**	**Type of shares**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares held subject to restrictions on sales**	**Number of pledged or locked-up shares**
Huijin	State-owned	A shares	40.03	130,000,000,000	130,000,000,000	None
MOF	State-owned	A shares	39.21	127,361,764,737	127,361,764,737	None
Hong Kong Securities Clearing Company Nominees Limited[1]	Overseas legal entity	H shares	8.89	28,882,255,054	10,894,665,000	Unknown
SSF	State-owned	A shares	3.02	9,797,058,826	9,797,058,826	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	Other	A shares	0.60	1,956,840,488	—	None
SSF-Account III for state-owned shares transfer	State-owned	A shares	0.41	1,325,882,341	1,325,882,341	None
Standard Chartered Bank	Overseas legal entity	H shares	0.37	1,217,281,000	1,217,281,000	Unknown
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	0.37	1,188,757,000	1,188,757,000	None
Fortune Trust Investment Company Limited — Single Unit Trust Fund R2008ZX013	Other	A shares	0.33	1,060,125,040	—	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance policy with high interest rate	Other	A shares	0.27	866,936,059	—	None

Note: 1. The H shares were held by the Hong Kong Securities Clearing Company Nominees Limited on behalf of a number of beneficial owners.

Apart from the SSF-Account III for state-owned shares transfer, which is managed by the SSF, and (1) Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products and (2) Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance policy with high interest rate which are both managed by Ping An Life Insurance Company of China, Ltd., the Bank is not aware of any other connections or concerted action among the above shareholders.

Unit: share

Particulars of Shareholdings of the Top 10 Shareholders Not Subject to the Restrictions on Sales
(the data set out below was based on the registers of shareholders as of 30 June 2011)

Name of shareholders	Number of shares not subject to restrictions on sales	Type of shares
Hong Kong Securities Clearing Company Nominees Limited	17,987,590,054	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	1,956,840,488	A shares
Fortune Trust Investment Company Limited — Single Unit Trust Fund R2008ZX013	1,060,125,040	A shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance policy with high interest rate	866,936,059	A shares
ICBC-Credit Suisse Fund Management Co., Ltd — Agricultural Bank of China — ABC Enterprise Annuity Council	503,147,412	A shares
CNOOC Finance Corporation Limited	446,045,014	A shares
Sino Life Insurance Co., Ltd — Investment Plan — Investment Plan of Personal Insurance	353,044,929	A shares
China Pacific Life Insurance Co., Ltd. — Dividend distribution — Individual dividend	312,339,330	A shares
The Industrial and Commercial Bank of China — Boshi Selective Shares Securities Investment Fund	299,999,923	A shares
UBS AG	257,409,209	A shares

Apart from (1) Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products and (2) Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance policy with high interest rate which are both managed by Ping An Life Insurance Company of China Ltd., the Bank is not aware of any other connections or concerted action among the above shareholders.

Shareholdings of substantial shareholders

During the reporting period, the Bank's substantial shareholders and de facto controller remained unchanged.

MOF

The MOF, established in October 1949, is a ministry under the State Council, and is empowered to perform its duties in respect of state finance and taxation.

As of 30 June 2011, the MOF held 127,361,764,737 shares of the Bank, accounting for 39.21% of the total share capital of the Bank.

Huijin

Huijin was established through state investments in accordance with the Company Law of the PRC on 16 December 2003 as a wholly state-owned company. It is a wholly-owned subsidiary of China Investment Corporation. The State Council has authorized Huijin to act on its behalf to make equity investments in major state-owned financial enterprises to preserve and appreciate the value of these invested ventures. Huijin, to the extent of its capital contribution, can exercise rights and assume obligations as an investor on behalf of the state. Huijin does not engage in other commercial activities nor intervene in the normal operations of major state-owned financial enterprises which are controlled by Huijin.

As of 30 June 2011, Huijin held 130,000,000,000 shares of the Bank, accounting for 40.03% of the total share capital of the Bank.

As of 30 June 2011, there was no other corporate shareholder who held more than 10% equity interest in the Bank.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

The Bank received notifications from the following persons regarding their interests and short positions in the Bank's shares and underlying shares as of 30 June 2011. Such interests and short positions were recorded in the register required to be kept by the Bank pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong; and the relevant entries are set out below:

Unit: shares

Name	Capacity	Number of shares held	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/ nominee[1]	138,682,352,926 (A shares)	Long position	47.16	42.70
Huijin	Beneficial owner	130,000,000,000 (A shares)	Long position	44.21	40.03
Qatar Investment Authority	Interests of controlled entity[2]	6,816,775,000 (H shares)	Long position	22.18	2.10
Qatar Holding LLC	Beneficial owner	6,816,775,000 (H shares)	Long position	22.18	2.10
Capital Research and Management Company	Investment manager	3,612,316,000 (H shares)	Long position	11.75	1.11
JPMorgan Chase & Co.	Investment manager	1,845,863,031 (H shares)	Long position	6.00	0.57
		95,983,106 (H shares)	Short position	0.31	0.03
		593,956,500 (H shares)	Lending pool	1.93	0.18

Notes: 1. 10,976,470,582 A shares are held by the SSF, however the corresponding voting rights were transferred to the MOF in accordance with the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of Agricultural Bank of China Limited issued by the MOF on 5 May 2010.

2. Qatar Investment Authority is deemed to be interested in 6,816,775,000 H shares of the Bank held by Qatar Holding LLC, a wholly-owned subsidiary of Qatar Investment Authority.

Directors, Supervisors and Senior Management

At the end of the reporting period, the composition of the Board, the Board of Supervisors and the senior management of the Bank was as follows:

The Board of the Bank comprised thirteen members, including four executive Directors, namely Mr. XIANG Junbo, Mr. ZHANG Yun, Mr. YANG Kun and Mr. PAN Gongsheng; five non-executive Directors, namely Mr. LIN Damao, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi and Mr. CHENG Fengchao; and four independent non-executive Directors, namely Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr.Frederick MA Si-hang and Mr. WEN Tiejun.

The Board of Supervisors of the Bank consisted of five members, including two Supervisors representing shareholders, namely Mr. CHE Yingxin and Mr. PAN Xiaojiang; and three Supervisors representing employees, namely Mr. WANG Yurui, Mr. WANG Xingchun and Mr. JIA Xiangsen.

The senior management of the Bank consisted of seven members, Mr. ZHANG Yun, Mr. YANG Kun, Mr. ZHU Hongbo, Mr. GUO Haoda, Mr. PAN Gongsheng, Mr. CAI Huaxiang and Mr. LI Zhenjiang.

During the reporting period, we did not implement share incentives, and none of the Directors, Supervisors and members of the senior management held or traded shares, or held share options or were granted restricted shares of the Bank.

Appointments and Removals

On 2 March 2011, Mr. Frederick MA Si-hang and Mr. WEN Tiejun were elected as our independent non-executive Directors at the first extraordinary general meeting for 2011. The qualification of Mr. MA and Mr. WEN was approved by the CBRC on 18 April 2011 and 17 May 2011, respectively.

On 28 March 2011, Mr. YUAN Linjiang ceased to act as our non-executive Director due to the requirement of other work.

On 8 June 2011, Mr. LI Yelin was elected as our non-executive Director at the annual general meeting for 2010. The qualification of Mr. LI was approved by the CBRC on 29 July 2011.

On 27 July 2011, Mr. WANG Xingchun ceased to act as our Supervisor representing employees of the Bank due to the requirement of other work.

On 27 July 2011, Mr. YAN Chongwen and Mr. ZHENG Xin were elected as our Supervisors representing employees of the Bank at the third meeting of the first session of Employees Representative Congress.

Information on Employees and Branch Outlets

We had 441,596 employees (and additional contracted persons of 39,959) as of 30 June 2011, representing a decrease of 2,851 persons over the end of the previous year. Among our employees, 145 persons were at our major domestic controlled entities and 277 persons were local employees at our overseas institutions.

As of 30 June 2011, we had a total of 23,468 domestic branch outlets, including the Head Office, 32 tier-1 branches, five branches directly managed by the Head Office, 311 tier-2 branches, 3,520 tier-1 sub-branches and 19,599 other establishments. We had two overseas branches and six overseas representative offices, namely Hong Kong and Singapore branches, and New York, London, Tokyo, Frankfurt, Seoul and Sydney representative offices. Six major domestic subsidiaries were ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company and ABC Jixi Rural Bank Limited Liability Company. Our two major overseas subsidiaries were ABC International Holdings Limited and China Agricultural Finance Co., Ltd. incorporated in Hong Kong.

Significant Events

Corporate Governance

During the reporting period, we strictly complied with the laws, regulations and normative documents of the regulatory authorities including the Company Law and the Commercial Banking Law of the People's Republic of China. We continued to enhance our corporate governance capability by strengthening the corporate governance, and actively improving the rules on internal control and internal audit in consideration of our actual conditions.

Revision and Formulation of Corporate Governance Documents. During the reporting period, we revised the *Proposal on the Amendment of Granting Authorization to the Board by the General Meeting of Shareholders of Agricultural Bank of China* and formulated the *Investor Relation Management System of Agricultural Bank of China*, according to our experience on corporate governance.

Election of new Directors and Supervisors, and Changes of Personnel in Special Committees of the Board and the Board of Supervisors. During the reporting period, Mr. Frederick Ma Si-Hang and Mr. Wen Tiejun were elected as independent non-executive Directors of the Bank. Mr. Li Yelin was elected as the non-executive Director of the Bank. After the reporting period, Mr. YAN Chongwen and Mr. ZHENG Xin were elected as Supervisors representing employees of the Bank. The personnel of the special committees under the Board and the Board of Supervisors was adjusted accordingly.

Internal Control. During the reporting period, the Bank proactively established the internal control systems with the following main sub-systems, including "an organization system, a regulation system, a quality management system and an internal supervision system", in accordance with the Basic Rules on Enterprise Internal Control and its implementation measures promulgated by five ministries and commissions under the PRC government.

Internal Audit. During the reporting period, the Bank continued to accelerate the transformation of its internal audit and conducted research on and implemented a risk-oriented audit model. The Bank improved the audit system based on the principles of learning from others, integration, supplement and optimization. We also strengthened the management of audit offices and further reinforced the foundation, organizational structure and team building of audit offices.

Code on Corporate Governance Practices. During the reporting period, we have complied with all of the principles and code provisions stipulated in the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules.

General Meetings of Shareholders

In the first half of 2011, we held an annual general meeting and an extraordinary general meeting, in which 14 proposals were reviewed and approved.

On 2 March 2011, we held the first extraordinary general meeting for 2011, in which six proposals, regarding the amendment of the Rules of Procedures of the General Meeting of Shareholders, the Board and the Board of Supervisors, the election of independent non-executive Directors, granting authorization to the Board to purchase liability insurance for the Directors, Supervisors and senior management, and the issuance of Subordinated Bonds, were reviewed and approved.

On 8 June 2011, we held the annual general meeting for 2010, in which eight proposals regarding matters including the working reports of the Board and the Board of Supervisors for 2010, the proposal for the final accounts of 2010, the profit distribution proposal, the budget arrangement of fixed asset investment for 2011, hiring an accounting firm for 2011, the election of non-executive Directors, as well as the proposal for remuneration standard of Directors and Supervisors for 2010, were reviewed and approved.

Profits and Dividends Distribution

Upon approval by the annual general meeting for 2010, the cash dividends for the period from 1 July 2010 to 31 December 2010 of the Bank was paid to holders of A Shares and H Shares whose names appeared on the Bank's register of members at the close of business on 16 June 2011. The cash dividends was RMB0.54 per ten shares (including tax), aggregating RMB17,539 million (including tax). The Bank does not propose to pay interim dividend for 2011 and will not increase share capital by capitalizing its capital reserve.

Material Legal Proceedings and Arbitration

During the reporting period, there were no material legal proceedings or arbitration with substantial impact on the business operation of our Bank.

As of 30 June 2011, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB3,883 million. The management of the Bank believes that we have fully accrued provision for the possible losses arising from the said legal proceedings. Such events will not exert any material adverse effect on our financial position or operational results.

Use of Proceeds

The proceeds from the initial public offering in 2010 were used to strengthen the Bank's capital base to support the ongoing growth of its business in accordance with the use of proceeds disclosed in the prospectus.

Major Projects Invested by Non-raised Funds

During the reporting period, the Bank had no significant projects invested by non-raised funds.

Major Asset Acquisition, Disposal and Merger

On 11 February 2011, the Board resolved to subscribe for 1,036,653,061 new issued shares of Jiahe Life Insurance Co., Ltd. at RMB2.5 per share with a total subscription amount of approximately RMB2,592 million. After the subscription, the Bank held 51% in the aggregate issued shares of Jiahe Life Insurance Co., Ltd. The subscription is pending approval of relevant regulatory authorities.

Connected Transactions

During the reporting period, the Bank did not enter into any major connected transactions.

Material Contracts and Performance of Obligations thereof

Material Custody, Contract and Lease

During the reporting period, the Bank did not enter into any material custody, contracting or leasing arrangements of assets of other companies and no other companies entered into any material custody, contracting or leasing arrangements of our assets.

Material Guarantees

The provision of guarantees is one of the recurring off-balance sheet businesses of the Bank. During the reporting period, the Bank did not have any material guarantees that was required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBRC.

Material Events Concerning Entrusting Others for Cash Management or Entrusted Loans

During the reporting period, there was no material event concerning the entrusting of others for cash management occurred in the Bank.

Occupation of Fund by Substantial Shareholder

None of our substantial shareholders occupied any of our funds.

Commitments Made by the Bank or Its Shareholders Holding 5% Shares or Above

During the reporting period, no new commitment was made by the Bank and its shareholders holding 5% shares or above. As of 30 June 2011, the commitments of our shareholders were performed.

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

During the reporting period, neither the Bank nor any of our Directors, Supervisors and senior management was subject to any investigation imposed by the relevant regulatory authorities, compulsory measures adopted by the judiciary and disciplinary inspection authorities, or transfered to the judiciary authorities and prosecution for criminal liabilities. Neither the Bank, our Board, nor any of our Directors, Supervisors and senior management was subject to inspection and administrative penalties imposed by the CSRC, or notice of criticism and public reprimand by any stock exchange.

Purchase, Sale or Redemption of the Bank's Shares

As of 30 June 2011, the Bank and any of its subsidiaries did not purchase, sell or redeem any of its listed shares.

Securities Transaction by Directors and Supervisors

The Bank has adopted a code of conduct for securities transaction by directors and supervisors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirmed that they complied with the above code of conduct throughout the reporting period.

Interests in Shares, Underlying Shares and Debentures Held by Directors and Supervisors

During the reporting period, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which required notification to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the Securities and Futures Ordinance of Hong Kong), or which were required to be recorded in the register referred to in Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to the section headed "Changes in Share Capital and Shareholdings of Substantial Shareholders" of this interim report.

Review of the Interim Financial Information

The 2011 Interim Financial Information prepared in accordance with CASs and IFRSs were reviewed by Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu in accordance with the China and International Standards on Review Engagements, respectively.

Our interim report has been reviewed and approved by the Board and Audit Committee of the Board of the Bank.

Securities Investment

Shares Held by the Bank in Listed Companies[1]

Stock code	Abbreviation of Securities	Investment cost (RMB Yuan)	Shareholding percentage (%)	Book value at the end of reporting period (RMB Yuan)	Gain/loss during the reporting period[2] (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
600127	GAEA GEM	156,170,736	18.82	125,625,793	69,512,187	—	Interest in an associate	Takeover of equity for debt cancellation
000430	*ST ZTDC	11,233,299	3.49	80,827,413	—	4,031,856	Available-for-sale financial assets	Investment of self-owned capital
MA	MasterCard Incorporated	10,573,299	0.03	53,829,750	—	(1,256,826)	Available-for-sale financial assets	Investment of self-owned capital
V	VISA INC.	16,519,435	0.01	26,850,226	—	(587,934)	Available-for-sale financial assets	Investment of self-owned capital
1668	China South City	11,715,980	0.03	9,883,015	—	(1,833,157)	Available-for-sale financial assets	Investment of self-owned capital
1988	China Minsheng Bank	22,851,516	0.02	24,675,101	—	1,824,035	Available-for-sale financial assets	Investment of self-owned capital

Notes: 1. The shares of listed companies specified above are recognized as interest in an associate and available-for-sale financial assets.
2. Mainly including investment gains and impairment losses.

Shares Held by the Bank in Unlisted Financial Enterprises

Name of Investee Company	investment cost (RMB Yuan)	Number of Shares held (in 10,000 shares)	Shareholding percentage (%)	Book value at the end of the reporting period (RMB Yuan)	Gain/loss during the reporting period (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of share
China Unicon Pay Co., Ltd	146,250,000	11,250	3.84	146,250,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Evergrowing Bank Co., Ltd	11,750,000	2,691	0.37	11,750,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Guangdong Development Bank Co., Ltd	61,433,777	2,219	0.14	61,433,777	—	—	Available-for-sale financial assets	Investment of self-owned capital

Interim Financial Report

Deloitte.
德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Tel: +852 2852 1600
Fax: +852 2541 1911
Email: mail@deloitte.com.hk
www.deloitte.com/cn

TO THE BOARD OF DIRECTORS OF AGRICULTURAL BANK OF CHINA LIMITED

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

Introduction

We have reviewed the interim financial information set out on pages 78 to 159, which comprises the condensed consolidated statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. 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 ("IAS") 34 "Interim Financial Reporting". The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making 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 IAS 34 "Interim Financial Reporting".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 August 2011

Condensed Consolidated Income Statement

For the six months ended 30 June 2011
(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Notes	2011 (Unaudited)	2010 (Audited)
Interest income	5	216,952	168,280
Interest expense	5	(72,222)	(56,572)
Net interest income	5	144,730	111,708
Fee and commission income	6	38,176	23,176
Fee and commission expense	6	(1,040)	(717)
Net fee and commission income	6	37,136	22,459
Net trading gain	7	660	463
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	8	32	(170)
Net (loss)/gain on investment securities		(99)	143
Other operating income, net	9	2,174	1,515
Operating income		184,633	136,118
Operating expenses	10	(71,273)	(58,468)
Impairment losses on assets	11	(27,697)	(19,623)
Profit before tax		85,663	58,027
Income tax expense	12	(18,984)	(12,164)
Profit for the period		66,679	45,863
Attributable to:			
Equity holders of the Bank		66,667	45,840
Non-controlling interests		12	23
		66,679	45,863
Earnings per share attributable to the equity holders of the Bank (Expressed in RMB yuan per share)			
— Basic	14	0.21	0.17

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2011	**2010**
	(Unaudited)	**(Audited)**
Profit for the period	66,679	45,863
Other comprehensive income/(expense):		
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the period	(2,427)	3,090
— amount reclassified to the profit or loss upon disposal/ impairment	129	(171)
Income tax impact	573	(723)
Foreign currency translation differences	(142)	(27)
Other comprehensive (expense)/income, net of tax	(1,867)	2,169
Total comprehensive income for the period	64,812	48,032
Total comprehensive income attributable to:		
Equity holders of the Bank	64,800	48,009
Non-controlling interests	12	23
	64,812	**48,032**

Condensed Consolidated Statement of Financial Position

At 30 June 2011
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Assets			
Cash and balances with central banks	15	2,452,417	2,082,332
Deposits with banks and other financial institutions	16	97,435	77,893
Placements with banks and other financial institutions	17	261,723	95,375
Financial assets held for trading	18	11,474	7,213
Financial assets designated as at fair value through profit or loss	19	44,183	43,044
Derivative financial assets	20	8,838	9,173
Financial assets held under resale agreements	21	637,645	525,331
Loans and advances to customers	22	5,187,987	4,788,008
Available-for-sale financial assets	23	739,888	668,503
Held-to-maturity investments	24	1,044,664	1,036,658
Debt securities classified as receivables	25	706,547	772,013
Interest in an associate		126	141
Property and equipment		117,787	121,391
Deferred tax assets	26	44,713	31,470
Other assets	27	106,357	78,861
Total assets		**11,461,784**	**10,337,406**
Liabilities			
Borrowings from central bank		30	30
Deposits from banks and other financial institutions	28	636,877	526,250
Placements from banks and other financial institutions	29	73,031	56,702
Financial liabilities held for trading	30	271	331
Financial liabilities designated as at fair value through profit or loss	31	35,088	34,682
Derivative financial liabilities	20	10,879	12,378
Financial assets sold under repurchase agreements	32	66,645	37,467
Due to customers	33	9,706,587	8,887,905
Debt securities issued	34	118,994	62,344
Deferred tax liabilities	26	80	82
Dividends payable		17,336	—
Other liabilities	35	206,457	176,999
Total liabilities		**10,872,275**	**9,795,170**

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Equity			
Share capital	36	324,794	324,794
Capital reserve	37	98,773	98,773
Investment revaluation reserve	38	(3,896)	(2,171)
Surplus reserve	39	17,242	17,242
General reserve	40	64,736	58,335
Retained earnings		88,211	45,484
Foreign currency translation reserve		(528)	(386)
Equity attributable to equity holders of the Bank		589,332	542,071
Non-controlling interests		177	165
Total equity		**589,509**	**542,236**
Total equity and liabilities		**11,461,784**	**10,337,406**

The condensed consolidated financial statements on pages 78 to 159 were approved and authorised for issue by the Board of Directors on 25 August 2011 and are signed on its behalf by:

Xiang Junbo
CHAIRMAN

Pan Gongsheng
EXECUTIVE DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	Notes	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2011 (Audited)		324,794	98,773	(2,171)	17,242	58,335	45,484	(386)	542,071	165	542,236
Profit for the period		—	—	—	—	—	66,667	—	66,667	12	66,679
Other comprehensive expenses		—	—	(1,725)	—	—	—	(142)	(1,867)	—	(1,867)
Total comprehensive (expenses)/income for the period		—	—	(1,725)	—	—	66,667	(142)	64,800	12	64,812
Appropriation to general reserve	40	—	—	—	—	6,401	(6,401)	—	—	—	—
Dividends recognised as distribution	13	—	—	—	—	—	(17,539)	—	(17,539)	—	(17,539)
As at 30 June 2011 (Unaudited)		**324,794**	**98,773**	**(3,896)**	**17,242**	**64,736**	**88,211**	**(528)**	**589,332**	**177**	**589,509**
As at 1 January 2010 (Audited)		260,000	—	4,624	7,676	10,772	59,817	(70)	342,819	106	342,925
Profit for the period		—	—	—	—	—	45,840	—	45,840	23	45,863
Other comprehensive income/ (expenses)		—	—	2,196	—	—	—	(27)	2,169	—	2,169
Total comprehensive income/(expenses) for the period		—	—	2,196	—	—	45,840	(27)	48,009	23	48,032
Capital contribution		10,000	5,512	—	—	—	—	—	15,512	25	15,537
Appropriation to surplus reserve		—	—	—	4,587	—	(4,587)	—	—	—	—
Appropriation to general reserve		—	—	—	—	47,572	(47,572)	—	—	—	—
Dividends recognised as distribution		—	—	—	—	—	(52,077)	—	(52,077)	—	(52,077)
As at 30 June 2010 (Audited)		270,000	5,512	6,820	12,263	58,344	1,421	(97)	354,263	154	354,417
Profit for the period		—	—	—	—	—	49,033	—	49,033	11	49,044
Other comprehensive expenses		—	—	(8,991)	—	—	—	(289)	(9,280)	—	(9,280)
Total comprehensive (expenses)/income for the period		—	—	(8,991)	—	—	49,033	(289)	39,753	11	39,764
Shares issued		54,794	93,261	—	—	—	—	—	148,055	—	148,055
Appropriation to surplus reserve		—	—	—	4,979	—	(4,979)	—	—	—	—
Appropriation to general reserve		—	—	—	—	(9)	9	—	—	—	—
As at 31 December 2010 (Audited)		**324,794**	**98,773**	**(2,171)**	**17,242**	**58,335**	**45,484**	**(386)**	**542,071**	**165**	**542,236**

Condensed Consolidated Statement Of Cash Flows

For the six months ended 30 June 2011
(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Notes	2011 (Unaudited)	2010 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		85,663	58,027
Adjustments for:			
Amortisation of intangible assets and other assets		806	755
Depreciation of property and equipment		5,592	4,840
Impairment losses on assets		27,697	19,623
Interest income arising from investment securities		(39,371)	(38,015)
Interest income arising from impaired financial assets		(331)	(729)
Interest expense on subordinated bonds issued		1,075	906
Net loss/(gain) on investment securities		37	(143)
Net gain on disposal of property, equipment and other assets		(132)	(153)
Net foreign exchange loss		2,483	2,462
Operating cash flows before movements in working capital		83,519	47,573
Net increase in balances with central banks, deposits with banks and other financial institutions		(305,850)	(256,594)
Net decrease/(increase) in placements with/from banks and other financial institutions		4,702	(27,319)
Net increase in loans and advances to customers		(427,172)	(485,749)
Net decrease in borrowings from central bank		—	(28)
Net increase in due to customers and deposits from banks and other financial institutions		936,023	796,598
Decrease in other operating assets		15,492	140,174
Increase/(decrease) in other operating liabilities		98,224	(25,001)
Cash generated from operations		404,938	189,654
Income tax paid		(23,444)	(16,817)
NET CASH FROM OPERATING ACTIVITIES		381,494	172,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		459,398	758,469
Cash received from returns on investment securities		36,516	35,317
Cash received from other investing activities		330	573
Cash paid for purchase of investment securities		(469,019)	(757,107)
Cash paid for purchase of property, equipment and other assets		(7,623)	(4,219)
NET CASH FROM INVESTING ACTIVITIES		19,602	33,033

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2011 (Unaudited)	2010 (Audited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from debt securities issued		49,950	—
Contribution from shareholders		—	15,512
Contribution from non-controlling shareholders of subsidiaries		—	25
Cash payments for interest on subordinated bonds issued		(2,005)	(1,803)
Dividends paid	13	—	(20,000)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		47,945	(6,266)
NET INCREASE IN CASH AND CASH EQUIVALENTS		449,041	199,604
CASH AND CASH EQUIVALENTS AT 1 JANUARY		415,617	329,300
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,340)	(2,066)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**41**	**863,318**	**526,838**

1. GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") was transformed from the Agricultural Bank of China (the "Former Entity") which was a state-owned commercial bank founded on 23 February 1979. On 15 January 2009, Agricultural Bank of China Limited was established after the completion of the financial restructuring of the Former Entity. The Bank's establishment was authorised by the People's Bank of China (the "PBOC").

The Bank has financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000005472 issued by the State Administration of Industry and Commerce of the People's Republic of China (the "PRC").

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise the provision of banking services, including RMB and foreign currency deposits, loans, payment and settlement services, assets custody services, financial leasing services and other services as approved by the relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and subsidiaries operating in the mainland China are referred to as "Domestic Institutions". Hong Kong and Singapore branches of the Bank and the subsidiaries registered outside the mainland China are referred to as "Overseas Institutions".

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

During the interim period, the Group has applied a number of new and revised standards, amendments to the standards and relevant interpretations ("new or revised IFRSs"). The adoption of these new or revised IFRSs had no material effect on the results, financial position and disclosure of the Group in the current interim period.

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

IAS1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IFRS10	Consolidated Financial Statements[2]
IFRS11	Joint Arrangements[2]
IFRS12	Disclosure of Interests in Other Entities[2]
IFRS13	Fair Value Measurement[2]
IAS19 (as revised in 2011)	Employee Benefits[2]
IAS27 (as revised in 2011)	Separate Financial Statements[2]
IAS28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

1 *Effective for annual periods beginning on or after 1 July 2012.*
2 *Effective for annual periods beginning on or after 1 January 2013.*

The directors anticipate that these new or revised standards will be applied in the Group's financial statements for the period beginning on 1 January 2013. The directors are in the process of assessing the potential impact of the application of relevant standards.

4. LIST OF SUBSIDIARIES

The following are the subsidiaries of the Bank as at 30 June 2011:

Name of entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorised capital/ paid-in capital	Proportion of equity interest (%)	Proportion of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.	1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC-CA Fund Management Co., Ltd.	2008	Shanghai, PRC	RMB200,000,001	51.67	51.67	Fund Management
ABC International Holdings Limited	2009	Hong Kong, PRC	HKD2,913,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.	2010	Shanghai, PRC	RMB2,000,000,000	100.00	100.00	Financial Leasing
ABC Hexigten Rural Bank Limited Liability Company	2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	2008	Hubei, PRC	RMB20,000,000	50.00	66.67	Banking
ABC Ansai Rural Bank Limited Liability Company	2010	Shaanxi, PRC	RMB20,000,000	51.00	51.00	Banking
ABC Jixi Rural Bank Limited Liability Company	2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking

During for the six months ended 30 June 2011, the Bank injected HKD1 billion as paid-in capital of ABC International Holdings Limited.

(Amounts in millions of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	Six months ended 30 June	
	2011	**2010**
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	111,814	86,829
Personal loans and advances	34,123	23,346
Discounted bills	2,788	3,160
Held-to-maturity investments	16,683	15,619
Balances with central banks	16,540	12,193
Available-for-sale financial assets	11,404	8,814
Debt securities classified as receivables	11,284	13,597
Financial assets held under resale agreements	10,189	3,799
Deposits and placements with banks and other financial institutions	1,829	634
Financial assets held for trading	227	232
Financial assets designated as at fair value through profit or loss	71	57
Subtotal	216,952	168,280
Interest expense		
Due to customers	(62,560)	(50,335)
Deposits and placements from banks and other financial institutions	(7,302)	(4,515)
Financial assets sold under repurchase agreements	(1,223)	(789)
Debt securities issued	(1,137)	(933)
Subtotal	(72,222)	(56,572)
Net interest income	144,730	111,708
Included in interest income is interest income accrued on impaired financial assets	331	729

(Amounts in millions of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2011	**2010**
Fee and commission income		
Consultancy and advisory services	12,736	5,424
Settlement and clearing services	9,620	7,075
Agency services	7,059	5,593
Bank card	4,554	2,881
Electronic banking services	1,932	1,063
Credit commitment	1,424	689
Custodian and other fiduciary services	541	401
Others	310	50
Subtotal	38,176	23,176
Fee and commission expense		
Settlement and clearing services	(427)	(274)
Bank card	(299)	(207)
Others	(314)	(236)
Subtotal	(1,040)	(717)
Total	**37,136**	**22,459**

7. NET TRADING GAIN

	Six months ended 30 June	
	2011	**2010**
Net gain on exchange rate derivatives	415	334
Net gain/(loss) on interest rate derivatives	14	(43)
Net (loss)/gain on held-for-trading debt securities	(50)	73
Others	281	99
Total	**660**	**463**

8. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2011	**2010**
Net (loss)/gain on debt securities	(61)	70
Net gain/(loss) on financial guarantee contracts	154	(216)
Others	(61)	(24)
Total	**32**	**(170)**

(Amounts in millions of Renminbi, unless otherwise stated)

9. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2011	**2010**
Net gain on foreign exchange	1,363	783
Net gain on disposal of property and equipment	147	170
Rental income	112	119
Others	552	443
Total	**2,174**	**1,515**

10. OPERATING EXPENSES

	Six months ended 30 June	
	2011	**2010**
Staff costs(1)	40,110	32,599
General operating and administrative expenses	14,721	12,888
Business tax and surcharges	10,190	7,489
Depreciation and amortisation	6,398	5,595
Others	(146)	(103)
Total	**71,273**	**58,468**

(1) Staff costs

	Six months ended 30 June	
	2011	**2010**
Salaries, bonuses, allowances and subsidies	28,073	22,582
Social insurance	5,672	4,890
Housing funds	2,357	2,002
Labour union fee and staff education expenses	1,219	972
Early retirement benefits	336	178
Others	2,453	1,975
Total	**40,110**	**32,599**

11. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2011	**2010**
Loans and advances to customers	27,652	19,728
Available-for-sale financial assets	(72)	5
Placements with banks and other financial institutions	—	(16)
Held-to-maturity investments	(15)	(15)
Property and equipment	2	4
Other assets	130	(83)
Total	**27,697**	**19,623**

(Amounts in millions of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	**2010**
Income tax expense comprises:		
Current income tax		
— PRC Corporate Income Tax	31,591	17,954
— Hong Kong Profits Tax	65	47
Subtotal	31,656	18,001
Deferred tax		
— Current period	(12,672)	(5,837)
Subtotal	(12,672)	(5,837)
Total	**18,984**	**12,164**

PRC Corporate Income Tax is calculated at 25% of the estimated assessable profit for the current and prior period. Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

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

	Six months ended 30 June	
	2011	**2010**
Profit before tax	85,663	58,027
Tax calculated at applicable statutory tax rate of 25%	21,416	14,507
Tax effect of expenses not deductible for tax purpose	224	68
Tax effect of income not taxable for tax purpose	(2,613)	(2,386)
Effect of different tax rates on Overseas Institutions	(43)	(25)
Income tax expense	**18,984**	**12,164**

13. DIVIDENDS

		Six months ended 30 June	
	Notes	**2011**	**2010**
Dividends recognised as distribution during the period	(1)		
Cash dividend for the second half of year 2010	(2)	17,539	—
Cash dividend for the first half of year 2010	(3)	—	32,077
Cash dividend for the year of 2009	(4)	—	20,000
		17,539	52,077

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIVIDENDS (continued)

(1) *No dividend in respect of the period from 1 January to 30 June 2011 was declared or proposed during the current period. The directors do not recommend the payment of an interim dividend.*

(2) *Distribution of interim dividend in respect of the period from 1 July to 31 December 2010*

A cash dividend of RMB0.054 per share in respect of the period from 1 July to 31 December 2010, amounting to RMB17,539 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve of the net profit of the Bank for the six months ended 31 December 2010 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 8 June 2011.

The above dividend had been recognised as distribution payable in the Group's condensed consolidated statement of financial position as at 30 June 2011.

(3) *Distribution of interim dividend in respect of the period from 1 January to 30 June 2010*

On 21 April 2010, Board of Directors was authorised at the extraordinary general meeting to approve profit appropriations for the six-month period ended 30 June 2010. On 27 August 2010, a cash dividend of RMB32,077 million in total for all shareholders of the Bank was approved by the Board of Directors. Distributable profit is determined based on the sum of (i) the Bank's audited net profit for the six months ended 30 June 2010, after the required appropriations for the statutory surplus reserve and the general reserve, as determined under the PRC GAAP, and (ii) undistributed profits from previous years.

The above dividend had been recognised as distribution during the six months ended 30 June 2010.

(4) *Distribution of final dividend for 2009*

Pursuant to the resolutions of the extraordinary general meeting held on 21 April 2010, after the required appropriations for the statutory surplus reserve and the general reserve of the net profit of the Bank for the year of 2009, a cash dividend of RMB20 billion in total was distributed to all shareholders of the Bank.

The above dividend had been recognised as distribution during the six months ended 30 June 2010.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2011	**2010**
Earnings:		
Profit for the period attributable to equity holders of the Bank	66,667	45,840
Numbers of shares:		
Weighted average number of shares in issue (million)	324,794	263,333
Basic earnings per share (RMB yuan)	0.21	0.17

There was no potential ordinary share outstanding during both reporting periods.

(Amounts in millions of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANKS

	Notes	As at 30 June 2011	As at 31 December 2010
Cash		63,318	61,653
Mandatory reserve deposits with central banks	(1)	1,921,822	1,612,848
Surplus reserve deposits with central bank	(2)	171,284	122,320
Other deposits with central banks	(3)	295,993	285,511
Total		**2,452,417**	**2,082,332**

(1) The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

As at 30 June 2011, for Domestic Institutions of the Group which meet the requirements of "Provisional Measures on Differential Mandatory Reserve Deposits for the Experimental Reform of Sannong Financial Business Division of Agricultural Bank of China Limited for 2011" (Yinfa [2010] No. 367), RMB mandatory reserve deposits with the PBOC were based on 19.5% of eligible RMB deposits, while for the remaining Domestic Institutions, RMB mandatory reserve deposits were based on 21.5% of eligible RMB deposits (31 December 2010: 19%). Foreign currency mandatory reserve deposits were based on 5% (31 December 2010: 5%) of eligible foreign currency deposits from customers. Mandatory reserve deposits placed by Overseas Institutions were determined based on overseas regulatory requirements. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.

(3) This mainly represents fixed deposit and fiscal deposits placed with the PBOC. The fiscal deposits placed with the PBOC are non-interest bearing.

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2011	As at 31 December 2010
Deposits with:		
Domestic banks	38,878	43,597
Other domestic financial institutions	5,223	413
Overseas banks	53,334	33,883
Total	**97,435**	**77,893**

As at 30 June 2011, the Group pledged deposits with overseas banks amounting to RMB2,430 million (31 December 2010: 3,080 million) for the purpose of carrying out financial derivative operations.

(Amounts in millions of Renminbi, unless otherwise stated)

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2011	As at 31 December 2010
Placements with:		
Domestic banks	15,378	11,925
Other domestic financial institutions	239,066	67,340
Overseas banks	7,279	16,110
Total	**261,723**	**95,375**

18. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2011	As at 31 December 2010
Debt securities issued by:		
Governments	803	1,841
Public sector and quasi-governments	3,231	817
Financial institutions	141	70
Corporations	7,299	4,485
Total	11,474	7,213
Analysed as:		
Listed in Hong Kong	125	—
Listed outside Hong Kong(1)	11,349	7,213
Total	**11,474**	**7,213**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

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

	As at 30 June 2011	As at 31 December 2010
Debt securities issued by:		
Governments	4,223	2,458
Public sector and quasi-governments	661	671
Financial institutions	10,659	6,653
Corporations	3,480	4,369
Credit notes issued by trust companies	24,467	28,885
Others	693	8
Total	44,183	43,044
Analysed as:		
Listed in Hong Kong	1,887	—
Listed outside Hong Kong[1]	3,384	6,874
Unlisted	38,912	36,170
Total	**44,183**	**43,044**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group enters into currency rate, interest rate and precious metals related derivative financial instrument contracts for the purposes of trading, asset and liability management and customer driven business.

The contractual/notional amounts and fair values of the derivative financial instruments held by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognised on the condensed consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

(Amounts in millions of Renminbi, unless otherwise stated)

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

	As at 30 June 2011		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Currency rate derivatives			
Currency forwards	302,766	3,578	(4,225)
Currency swaps	146,772	1,320	(884)
Cross-currency interest rate swaps	10,240	2,353	(3,410)
Currency options	165	—	—
Subtotal		7,251	(8,519)
Interest rate derivatives			
Interest rate swaps	250,931	1,575	(2,357)
Other interest rate contracts	971	—	(3)
Subtotal		1,575	(2,360)
Other derivatives	8,590	12	—
Total derivative financial assets and liabilities		**8,838**	**(10,879)**

	As at 31 December 2010		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Currency rate derivatives			
Currency forwards	248,904	3,713	(4,618)
Currency swaps	186,449	1,467	(1,145)
Cross-currency interest rate swaps	10,610	2,183	(3,727)
Subtotal		7,363	(9,490)
Interest rate derivatives			
Interest rate swaps	205,840	1,810	(2,659)
Other interest rate contracts	728	—	(3)
Subtotal		1,810	(2,662)
Other derivatives	3,348	—	(226)
Total derivative financial assets and liabilities		**9,173**	**(12,378)**

(Amounts in millions of Renminbi, unless otherwise stated)

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2011	As at 31 December 2010
Analysed by type of collateral:		
Bonds	354,364	259,076
Bills	280,171	260,438
Loans and advances to customers	3,110	5,817
Total	**637,645**	**525,331**

22. LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	As at 30 June 2011	As at 31 December 2010
Corporate loans and advances		
Loans	3,975,071	3,659,689
Discounted bills	87,828	152,382
Subtotal	4,062,899	3,812,071
Personal loans and advances	1,321,014	1,144,670
Gross loans and advances	5,383,913	4,956,741
Individually assessed	(53,370)	(58,501)
Collectively assessed	(142,556)	(110,232)
Allowance for impairment losses	(195,926)	(168,733)
Loans and advances to customers	5,187,987	4,788,008

(Amounts in millions of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loans and advances to customers by collective and individual assessments:

	Loans and advances for which allowance is collectively assessed(1)	Identified impaired loans and advances(2)			Total	Identified impaired gross loans and advances as a % of total gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal		%
At 30 June 2011						
Gross loans and advances	5,293,865	10,633	79,415	90,048	5,383,913	1.67
Allowance for impairment losses	(136,772)	(5,784)	(53,370)	(59,154)	(195,926)	
Loans and advances to customers	**5,157,093**	**4,849**	**26,045**	**30,894**	**5,187,987**	
At 31 December 2010						
Gross loans and advances	4,856,336	10,967	89,438	100,405	4,956,741	2.03
Allowance for impairment losses	(103,914)	(6,318)	(58,501)	(64,819)	(168,733)	
Loans and advances to customers	**4,752,422**	**4,649**	**30,937**	**35,586**	**4,788,008**	

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

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

Movements of allowance for impairment losses on loans and advances to customers:

	Six months ended 30 June 2011		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	58,501	110,232	168,733
Net additions	(4,791)	32,443	27,652
Write-offs	(39)	(2)	(41)
Recovery of loans and advances written off in previous periods	4	4	8
Unwinding of discount on allowance	(282)	(49)	(331)
Exchange difference	(23)	(72)	(95)
As at 30 June	**53,370**	**142,556**	**195,926**

(Amounts in millions of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

	2010		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at 1 January	55,596	71,096	126,692
Net additions	4,164	39,372	43,536
Write-offs	(307)	(48)	(355)
Recovery of loans and advances written off in previous years	11	7	18
Unwinding of discount on allowance	(1,015)	(130)	(1,145)
Other transfer in	67	—	67
Exchange difference	(15)	(65)	(80)
As at 31 December	**58,501**	**110,232**	**168,733**

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	**As at 30 June 2011**	**As at 31 December 2010**
Debt securities issued by:			
Governments		397,666	364,485
Public sector and quasi-governments		198,238	162,974
Financial institutions		21,802	22,512
Corporations		121,728	114,096
Subtotal		739,434	664,067
Equity instruments		454	459
Fund investments		—	3,977
Total		739,888	668,503
Analysed as:			
Available-for-sale debt securities			
Listed in Hong Kong		3,955	1,985
Listed outside Hong Kong	(1)	732,812	660,586
Unlisted		2,667	1,496
Equity instruments and fund investments			
Listed in Hong Kong		35	—
Listed outside Hong Kong		179	169
Unlisted	(2)	240	4,267
Total		**739,888**	**668,503**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(2) The unlisted equity instruments are measured at cost because their fair value cannot be reliably measured.

(Amounts in millions of Renminbi, unless otherwise stated)

24. HELD-TO-MATURITY INVESTMENTS

	As at 30 June 2011	As at 31 December 2010
Debt securities issued by:		
Governments	572,017	613,403
Public sector and quasi-governments	395,279	343,531
Financial institutions	24,667	25,248
Corporations	52,766	54,563
	1,044,729	1,036,745
Allowance for impairment losses	(65)	(87)
Total	1,044,664	1,036,658
Analysed as:		
Listed in Hong Kong	941	396
Listed outside Hong Kong(1)	1,035,558	1,035,690
Unlisted	8,165	572
Total	**1,044,664**	**1,036,658**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	Notes	As at 30 June 2011	As at 31 December 2010
Receivable from the MOF	(1)	504,876	568,410
Special government bond	(2)	93,300	93,300
Certificate treasury bonds and savings treasury bonds		25,764	30,484
PBOC's special bills		65,463	64,906
Financial institution bonds		15,587	14,906
Corporate bonds		1,641	94
		706,631	772,100
Allowance for impairment losses		(84)	(87)
Total		**706,547**	**772,013**

(1) Pursuant to the "Notice on Relevant Issues Concerning the Disposal of Non-performing Assets of Agricultural Bank of China (Caijin [2008] No. 138)" issued by the Ministry of Finance (the "MOF") of the PRC, receivable from the MOF is to be settled annually over a period of 15 years starting from 1 January 2008 at an interest of 3.3% per annum.

(2) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregate principal amount of RMB93.3 billion to the Former Entity for the purpose of improving its capital adequacy. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.

(Amounts in millions of Renminbi, unless otherwise stated)

26. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	As at 30 June 2011	As at 31 December 2010
Deferred tax assets	44,713	31,470
Deferred tax liabilities	(80)	(82)
	44,633	31,388

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

	Allowance of impairment losses	Early retirement benefits	Accrued but not paid staff cost	Provision	Changes in fair value of financial instruments	Others	Total
As at 1 January 2011	21,635	3,343	4,113	807	1,571	(81)	31,388
Credit/(charge) to profit or loss	11,809	(245)	1,488	(88)	(299)	7	12,672
Credit to other comprehensive income	—	—	—	—	573	—	573
As at 30 June 2011	**33,444**	**3,098**	**5,601**	**719**	**1,845**	**(74)**	**44,633**

	Allowance of impairment losses	Early retirement benefits	Accrued but not paid staff cost	Provision	Changes in fair value of financial instruments	Others	Total
As at 1 January 2010	12,600	3,970	2,660	1,008	(580)	1	19,659
Credit/(charge) to profit or loss	9,035	(627)	1,453	(201)	(121)	(82)	9,457
Credit to other comprehensive income	—	—	—	—	2,272	—	2,272
As at 31 December 2010	**21,635**	**3,343**	**4,113**	**807**	**1,571**	**(81)**	**31,388**

(Amounts in millions of Renminbi, unless otherwise stated)

27. OTHER ASSETS

	As at 30 June 2011	As at 31 December 2010
Interest receivable	47,260	38,641
Land use rights	24,241	24,619
Accounts receivable	21,681	6,559
Intangible assets	1,749	1,675
Others	11,426	7,367
Total	**106,357**	**78,861**

28. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2011	As at 31 December 2010
Deposits from:		
Domestic banks	220,287	183,281
Other domestic financial institutions	414,780	340,758
Overseas banks	1,336	1,493
Other overseas financial institutions	474	718
Total	**636,877**	**526,250**

29. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2011	As at 31 December 2010
Placements from:		
Domestic banks	11,408	24,170
Overseas banks	61,623	32,532
Total	**73,031**	**56,702**

30. FINANCIAL LIABILITIES HELD FOR TRADING

	As at 30 June 2011	As at 31 December 2010
Short position in bonds	271	331

(Amounts in millions of Renminbi, unless otherwise stated)

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

	As at 30 June 2011	As at 31 December 2010
Principal guaranteed wealth management products[1]	28,450	33,989
Structured deposits	6,006	25
Financial guarantee agreements	326	486
Others	306	182
Total	**35,088**	**34,682**

(1) The Group designates the amounts received from sales of wealth management products with principal guaranteed as financial liabilities at fair value through profit or loss. The corresponding investments are designated as financial assets at fair value through profit or loss. As at 30 June 2011, the fair value of these products issued by the Group were lower than the contractual amount payable to the holders of these products upon maturity by RMB1,097 million (31 December 2010: RMB611 million lower than contractual amount).

For the six months ended 30 June 2011 and the year of 2010, there were no significant changes in the fair value of the Group's financial liabilities designated as at fair value through profit or loss that were attributable to the changes in credit risk.

32. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2011	As at 31 December 2010
Analysed by type of collateral:		
Bonds	59,880	26,647
Bills	6,765	10,820
Total	**66,645**	**37,467**

(Amounts in millions of Renminbi, unless otherwise stated)

33. DUE TO CUSTOMERS

	As at 30 June 2011	As at 31 December 2010
Demand deposits		
Corporate customers	2,793,418	2,640,066
Individual customers	2,780,720	2,491,565
Time deposits		
Corporate customers	994,975	909,221
Individual customers	2,783,991	2,573,888
Pledged deposits[1]	247,949	168,302
Others	105,534	104,863
Total	**9,706,587**	**8,887,905**

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

	As at 30 June 2011	As at 31 December 2010
Bank acceptances	103,952	75,524
Letters of guarantee	31,377	23,355
Margin transaction	29,569	9,793
Letters of credit	26,642	17,537
Others	56,409	42,093
Total	**247,949**	**168,302**

34. DEBT SECURITIES ISSUED

	Notes	As at 30 June 2011	As at 31 December 2010
Subordinated bonds issued	(1)	99,916	49,962
Certificates of deposit issued	(2)	19,078	12,382
Total		**118,994**	**62,344**

(Amounts in millions of Renminbi, unless otherwise stated)

34. DEBT SECURITIES ISSUED (continued)

(1) The carrying value of the Group's subordinated bonds issued are as follows:

	Notes	As at 30 June 2011	As at 31 December 2010
3.3% subordinated fixed rate bonds maturing in May 2019	(i)	20,000	20,000
4.0% subordinated fixed rate bonds maturing in May 2024	(ii)	25,000	25,000
Subordinated floating rate bonds maturing in May 2019	(iii)	5,000	5,000
5.3% subordinated fixed rate bonds maturing in June 2026	(iv)	50,000	—
Total nominal value		100,000	50,000
Less: Unamortised issuance cost		(84)	(38)
Carrying value		**99,916**	**49,962**

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB50,000 million in May 2009 and June 2011 respectively.

(i) The subordinated fixed rate bonds issued in May 2009 have a tenure of 10 years, with a fixed coupon rate of 3.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 6.3% per annum from 20 May 2014 onwards.

(ii) The subordinated fixed rate bonds issued in May 2009 have a tenure of 15 years, with a fixed coupon rate of 4.0%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2019. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 7.0% per annum from 20 May 2019 onwards.

(iii) The subordinated floating rate bonds issued in May 2009 have a tenure of 10 years. The coupon rate is based on the PBOC one-year fixed deposit rate on the issue date and reset annually plus 60 basis points. Interest is payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the interest rate of the bonds will be adjusted to the PBOC one-year fixed deposit rate plus 360 basis points from 20 May 2014 onwards.

(iv) The subordinated fixed rate bonds issued in June 2011 have a tenure of 15 years, with a fixed coupon rate of 5.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 7 June 2021. If the Bank does not exercise this option, the coupon rate of the bonds will remain at 5.3% per annum from 7 June 2021 onwards.

As at 30 June 2011, there was no default relating to arrears of principal, interest or redemption proceeds with the subordinated bonds issued by the Bank.

(2) Certificates of deposit were issued by the Hong Kong Branch and Singapore Branch of the Bank and measured at amortised cost.

(Amounts in millions of Renminbi, unless otherwise stated)

35. OTHER LIABILITIES

	Notes	As at 30 June 2011	As at 31 December 2010
Interest payable		78,767	73,771
Staff costs payable	(1)	40,231	34,584
Taxes payable		24,624	16,413
Clearing and settlement		21,566	18,710
Business and other taxes payable		5,993	5,365
Amount payable to the MOF	(2)	5,741	5,311
Provision		3,485	3,901
Dormant accounts payable		2,615	2,785
Others		23,435	16,159
Total		**206,457**	**176,999**

(1) Staff costs payable

	Six months ended 30 June 2011			
	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	16,521	28,073	(22,164)	22,430
Social insurance	848	5,672	(5,468)	1,052
Housing funds	302	2,357	(2,347)	312
Labour union fees and staff education expenses	1,556	1,219	(533)	2,242
Early retirement benefits (i)	13,371	336	(1,313)	12,394
Others	1,986	2,453	(2,638)	1,801
Total	**34,584**	**40,110**	**(34,463)**	**40,231**

	2010			
	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	10,669	44,712	(38,860)	16,521
Social insurance	574	9,798	(9,524)	848
Housing funds	260	4,333	(4,291)	302
Labour union fees and staff education expenses	1,256	2,003	(1,703)	1,556
Early retirement benefits (i)	15,879	249	(2,757)	13,371
Others	1,300	6,035	(5,349)	1,986
Total	**29,938**	**67,130**	**(62,484)**	**34,584**

(Amounts in millions of Renminbi, unless otherwise stated)

35. OTHER LIABILITIES (continued)

(1) Staff costs payable (continued)

(i) Early retirement benefits

The Group's obligation in respect of the early retirement benefits at the end of each reporting period was calculated using the projected unit credit method.

The amounts recognised in condensed consolidated income statement in respect of the early retirement benefits are as follows:

	Six months ended 30 June	
	2011	**2010**
Interest cost	209	175
Actuarial loss recognised in the period	127	3
Total	**336**	**178**

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

	As at 30 June 2011	As at 31 December 2010
Discount rate	3.48%	3.46%
Annual average medical expenses growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
— Male	60	60
— Female	55	55

(2) Amount payable to the MOF

Pursuant to the "Notice on Relevant Issues Concerning the Disposal of Non-performing Assets of Agricultural Bank of China" (Caijin [2008] No. 138) issued by the MOF, the MOF assigned the Bank to manage and dispose of the non-performing assets. The amount payable to the MOF represents proceeds collected from the resolution of the non-performing assets by the Bank on behalf of the MOF.

36. SHARE CAPITAL

The Bank listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively. During the six months ended 30 June 2011, there was no change of share capital.

	As at 30 June 2011 and 31 December 2010	
	Number of shares (millions)	**Nominal value**
Registered, issued and fully paid:		
A shares of RMB1 each	294,055	294,055
H shares of RMB1 each	30,739	30,739
Total	**324,794**	**324,794**

Note: A share refers to the ordinary shares listed in mainland China. They are offered and traded in RMB. H share refers to the shares listed in Hong Kong. They are denominated in RMB, offered and traded in HKD.

A summary of the Bank's issued shares (in millions of shares) is as follows:

	For the six months ended 30 June 2011		
	A share	**H share**	**Total**
As at 1 January and 30 June	294,055	30,739	324,794

As at 30 June 2011, 278,713 million A shares and 12,355 million H shares of the Bank with par value of RMB1 per share were subject to lock-up restriction respectively (31 December 2010: 278,713 million A shares and 13,268 million H shares, respectively).

	2010		
	A share	**H share**	**Total**
As at 1 January	260,000	—	260,000
Issuance	35,571	29,223	64,794
Conversion	(1,516)	1,516	—
As at 31 December	**294,055**	**30,739**	**324,794**

Deloitte Touche Tohmatsu CPA Ltd., verified this capital contribution and issued a verification report De Shi Bao (Yan) Zi (10) No.0046.

37. CAPITAL RESERVE

Capital reserve represents share premium of shares issued by the Bank in 2010. Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees.

(Amounts in millions of Renminbi, unless otherwise stated)

38. INVESTMENT REVALUATION RESERVE

	2011		
	Gross amount	Tax effect	Net effect
As at 1 January	(2,885)	714	(2,171)
Loss on fair value changes of available-for-sale financial assets	(2,427)	605	(1,822)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	129	(32)	97
As at 30 June	**(5,183)**	**1,287**	**(3,896)**

	2010		
	Gross amount	Tax effect	Net effect
As at 1 January	6,182	(1,558)	4,624
Loss on fair value changes of available-for-sale financial assets	(8,589)	2,152	(6,437)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	(478)	120	(358)
As at 31 December	**(2,885)**	**714**	**(2,171)**

39. SURPLUS RESERVE

Under the PRC Laws, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital. The Bank did not appropriate its profit to discretionary surplus reserve for the current period.

40. GENERAL RESERVE

The Bank is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets.

Pursuant to the relevant regulatory requirements in the PRC, ABC-CA Fund Management Co., Ltd., a subsidiary of the Bank, that mainly engages in fund raising, distribution and assets management, is required to appropriate certain amounts of its net profit as general reserve.

For the six months ended 30 June 2011, the Group transferred RMB6,401 million (2010: RMB47,563 million) to general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions.

(Amounts in millions of Renminbi, unless otherwise stated)

41. CASH AND CASH EQUIVALENTS

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

	As at 30 June 2011	As at 30 June 2010
Cash	63,318	53,726
Balances with central banks	171,284	164,955
Deposits with banks and other financial institutions	71,876	48,833
Placements with banks and other financial institutions	222,149	14,931
Financial assets held under resale agreements	334,691	244,393
Total	**863,318**	**526,838**

42. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Board and relevant management committees which are the chief decision makers of operation for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information for resource allocation and performance assessment. They are financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies. There is no difference between the segments accounting policies and the accounting policies for the preparation of the consolidated financial statements.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

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.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office

Yangtze River Delta:	including Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	including Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	including Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	including Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Bingtuan), Tibet, Inner Mongolia, Guangxi
Northeastern China:	including Liaoning, Heilongjiang, Jilin, Dalian, and
Overseas and Others:	including overseas branches and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

42. OPERATING SEGMENTS (continued)

Geographical operating segments (continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Segment total	Eliminations	Consolidated total
For the six months ended 30 June 2011											
External interest income	66,287	39,718	22,492	26,576	19,459	35,294	6,016	1,110	216,952	—	216,952
External interest expense	(3,836)	(17,253)	(10,010)	(13,470)	(10,671)	(12,641)	(3,758)	(583)	(72,222)	—	(72,222)
Inter-segment interest (expense)/ income	(39,349)	8,064	5,074	8,070	7,327	8,664	2,150	—	—	—	—
Net interest income	23,102	30,529	17,556	21,176	16,115	31,317	4,408	527	144,730	—	144,730
Fee and commission income	2,041	10,823	5,988	5,348	5,737	6,732	1,289	218	38,176	—	38,176
Fee and commission expense	(134)	(231)	(173)	(156)	(108)	(178)	(33)	(27)	(1,040)	—	(1,040)
Net fee and commission income	1,907	10,592	5,815	5,192	5,629	6,554	1,256	191	37,136	—	37,136
Net trading (loss)/gain	(716)	988	60	33	52	222	36	(15)	660	—	660
Net gain on financial instruments designated as at fair value through profit or loss	23	—	—	—	—	—	—	9	32	—	32
Net (loss)/gain on investment securities	(176)	—	—	—	70	—	—	7	(99)	—	(99)
Other operating income/(expense), net	1,145	(61)	223	212	163	107	52	333	2,174	—	2,174
Operating income	25,285	42,048	23,654	26,613	22,029	38,200	5,752	1,052	184,633	—	184,633
Operating expenses	(5,297)	(14,186)	(8,965)	(10,633)	(11,111)	(16,004)	(4,817)	(260)	(71,273)	—	(71,273)
Impairment losses on assets	1,844	(526)	(5,466)	(4,483)	(4,914)	(12,678)	(1,380)	(94)	(27,697)	—	(27,697)
Profit/(loss) before tax	21,832	27,336	9,223	11,497	6,004	9,518	(445)	698	85,663	—	85,663
Income tax expense											(18,984)
Profit for the period											66,679
Depreciation and amortisation included in operating expenses	(544)	(1,259)	(750)	(902)	(1,105)	(1,365)	(456)	(17)	(6,398)	—	(6,398)
Capital expenditure	791	468	210	573	344	834	141	43	3,404	—	3,404
As at 30 June 2011											
Segment assets	3,515,262	2,652,590	1,591,842	1,964,628	1,734,158	2,346,331	567,964	150,120	14,522,895	(3,105,824)	11,417,071
Including: Interest in an associate	—	—	—	—	126	—	—	—	126	—	126
Unallocated assets											44,713
Total assets											11,461,784
Segment liabilities	(3,197,580)	(2,584,111)	(1,550,450)	(1,920,891)	(1,699,800)	(2,288,199)	(565,104)	(147,260)	(13,953,395)	3,105,824	(10,847,571)
Unallocated liabilities											(24,704)
Total liabilities											(10,872,275)
Credit commitments	45,013	499,969	278,101	397,530	256,904	354,026	56,225	152,748	2,040,516	—	2,040,516

(Amounts in millions of Renminbi, unless otherwise stated)

42. OPERATING SEGMENTS (continued)

Geographical operating segments (continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Segment total	Eliminations	Consolidated total
For the six months ended 30 June 2010											
External interest income	53,909	31,143	16,847	19,652	14,286	27,128	4,777	538	168,280	—	168,280
External interest expense	(2,405)	(13,150)	(8,100)	(10,484)	(8,582)	(9,936)	(3,733)	(182)	(56,572)	—	(56,572)
Inter-segment interest (expense)/ income	(39,141)	7,113	6,933	8,129	7,338	7,553	2,082	(7)	—	—	—
Net interest income	12,363	25,106	15,680	17,297	13,042	24,745	3,126	349	111,708	—	111,708
Fee and commission income	1,695	6,106	3,374	3,180	3,564	4,277	931	49	23,176	—	23,176
Fee and commission expense	(64)	(154)	(109)	(113)	(89)	(123)	(45)	(20)	(717)	—	(717)
Net fee and commission income	1,631	5,952	3,265	3,067	3,475	4,154	886	29	22,459	—	22,459
Net trading gain/(loss)	11	608	(28)	(59)	23	(87)	(16)	11	463	—	463
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	(175)	(1)	—	—	—	—	—	6	(170)	—	(170)
Net gain on investment securities	14	—	—	—	—	121	—	8	143	—	143
Other operating (expense)/income, net	(170)	650	272	227	134	177	54	171	1,515	—	1,515
Operating income	13,674	32,315	19,189	20,532	16,674	29,110	4,050	574	136,118	—	136,118
Operating expenses	(3,141)	(11,517)	(7,600)	(8,766)	(9,569)	(13,442)	(4,218)	(215)	(58,468)	—	(58,468)
Impairment losses on assets	190	(3,728)	(1,441)	(4,504)	(3,346)	(6,525)	(249)	(20)	(19,623)	—	(19,623)
Profit/(loss) before tax	10,723	17,070	10,148	7,262	3,759	9,143	(417)	339	58,027	—	58,027
Income tax expense											(12,164)
Profit for the period											45,863
Depreciation and amortisation included in operating expenses	(514)	(1,110)	(677)	(751)	(950)	(1,182)	(392)	(19)	(5,595)	—	(5,595)
Capital expenditure	288	717	164	801	250	714	294	11	3,239	—	3,239
As at 31 December 2010											
Segment assets	3,443,492	2,330,766	1,456,963	1,777,876	1,543,431	2,117,973	510,897	97,257	13,278,655	(2,972,719)	10,305,936
Including: Interest in an associate	—	—	—	—	141	—	—	—	141	—	141
Unallocated assets											31,470
Total assets											10,337,406
Segment liabilities	(3,019,635)	(2,300,473)	(1,437,879)	(1,759,578)	(1,530,049)	(2,095,624)	(513,698)	(94,458)	(12,751,394)	2,972,719	(9,778,675)
Unallocated liabilities											(16,495)
Total liabilities											(9,795,170)
Credit commitments	47,712	444,971	291,109	309,388	196,785	252,017	41,947	56,517	1,640,446	—	1,640,446

42. OPERATING SEGMENTS (continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes 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, debt instruments investments, and holding of derivative positions, for its own accounts or on behalf of customers.

Others

Others comprise equity investments and the remaining part of the Group that is not attributable to any of the above segments, and certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

(Amounts in millions of Renminbi, unless otherwise stated)

42. OPERATING SEGMENTS (continued)

Business operating segments (continued)

For the six months ended 30 June 2011

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	114,668	34,502	67,697	85	216,952
External interest expense	(24,833)	(42,477)	(4,879)	(33)	(72,222)
Inter-segment interest (expense)/income	(2,329)	55,791	(53,462)	—	—
Net interest income	87,506	47,816	9,356	52	144,730
Fee and commission income	19,077	18,914	—	185	38,176
Fee and commission expense	(455)	(558)	—	(27)	(1,040)
Net fee and commission income	18,622	18,356	—	158	37,136
Net trading gain/(loss)	—	—	670	(10)	660
Net gain on financial instruments designated as at fair value through profit or loss	—	—	32	—	32
Net (loss)/gain on investment securities	—	—	(104)	5	(99)
Other operating income, net	266	195	1,370	343	2,174
Operating income	106,394	66,367	11,324	548	184,633
Operating expenses	(25,518)	(38,516)	(6,984)	(255)	(71,273)
Impairment losses on assets	(16,874)	(10,854)	87	(56)	(27,697)
Profit before tax	64,002	16,997	4,427	237	85,663
Income tax expense					(18,984)
Profit for the period					66,679
Depreciation and amortisation included in operating expenses	(1,506)	(3,693)	(1,188)	(11)	(6,398)
Capital expenditure	761	1,980	663	—	3,404
As at 30 June 2011					
Segment assets	4,008,999	1,453,072	5,944,030	10,970	11,417,071
Including: Interest in an associate	—	—	—	126	126
Unallocated assets					44,713
Total assets					11,461,784
Segment liabilities	(4,353,229)	(5,768,649)	(702,422)	(23,271)	(10,847,571)
Unallocated liabilities					(24,704)
Total liabilities					(10,872,275)
Credit commitments	1,744,217	296,299	—	—	2,040,516

(Amounts in millions of Renminbi, unless otherwise stated)

42. OPERATING SEGMENTS (continued)

Business operating segments (continued)

For the six months ended 30 June 2010

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	90,040	23,412	54,451	377	168,280
External interest expense	(19,597)	(35,049)	(1,924)	(2)	(56,572)
Inter-segment interest (expense)/income	(2,638)	45,642	(43,004)	—	—
Net interest income	67,805	34,005	9,523	375	111,708
Fee and commission income	9,144	14,020	—	12	23,176
Fee and commission expense	(319)	(379)	—	(19)	(717)
Net fee and commission income/(expense)	8,825	13,641	—	(7)	22,459
Net trading gain	—	—	463	—	463
Net loss on financial instruments designated as at fair value through profit or loss	—	—	(170)	—	(170)
Net gain on investment securities	—	—	143	—	143
Other operating income, net	352	86	783	294	1,515
Operating income	76,982	47,732	10,742	662	136,118
Operating expenses	(22,672)	(30,244)	(5,383)	(169)	(58,468)
Impairment losses on assets	(12,354)	(6,893)	26	(402)	(19,623)
Profit before tax	41,956	10,595	5,385	91	58,027
Income tax expense					(12,164)
Profit for the period					45,863
Depreciation and amortisation included in operating expenses	(1,581)	(3,312)	(700)	(2)	(5,595)
Capital expenditure	888	1,930	421	—	3,239
As at 31 December 2010					
Segment assets	3,759,161	1,270,020	5,270,226	6,529	10,305,936
Including: Interest in an associate	—	—	—	141	141
Unallocated assets					31,470
Total assets					10,337,406
Segment liabilities	(4,026,381)	(5,258,346)	(491,481)	(2,467)	(9,778,675)
Unallocated liabilities					(16,495)
Total liabilities					(9,795,170)
Credit commitments	1,457,345	183,101	—	—	1,640,446

42. OPERATING SEGMENTS (continued)

County Area and Urban Area segments

The Group's operating segments organised by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business (Sannong banking business) aims to provide a broad range of financial products and services to customers in County Area through its operating branches in the 2,004 counties or county-level cities throughout the PRC. The products and services comprise mainly loans, deposits, bank cards, and intermediary services.

Urban Area banking business

Urban Area banking business comprises all other businesses not covered by County Area banking business, and overseas operations and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

42. OPERATING SEGMENTS (continued)

County Area and Urban Area segments (continued)

For the six months ended 30 June 2011

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
External interest income	48,226	168,726	—	216,952
External interest expense	(25,502)	(46,720)	—	(72,222)
Inter-segment interest income/ (expense)	32,503	(32,503)	—	—
Net interest income	55,227	89,503	—	144,730
Fee and commission income	13,858	24,318	—	38,176
Fee and commission expense	(349)	(691)	—	(1,040)
Net fee and commission income	13,509	23,627	—	37,136
Net trading gain	143	517	—	660
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	—	32	—	32
Net loss on investment securities	—	(99)	—	(99)
Other operating income, net	531	1,643	—	2,174
Operating income	69,410	115,223	—	184,633
Operating expenses	(31,388)	(39,885)	—	(71,273)
Impairment losses on assets	(12,092)	(15,605)	—	(27,697)
Profit before tax	25,930	59,733	—	85,663
Income tax expense				(18,984)
Profit for the period				66,679
Depreciation and amortisation included in operating expenses	(2,834)	(3,564)	—	(6,398)
Capital expenditure	830	2,574	—	3,404
As at 30 June 2011				
Segment assets	4,351,930	7,128,133	(62,992)	11,417,071
Including: Interest in an associate	—	126	—	126
Unallocated assets				44,713
Total assets				11,461,784
Segment liabilities	(4,085,875)	(6,824,688)	62,992	(10,847,571)
Unallocated liabilities				(24,704)
Total liabilities				(10,872,275)
Credit commitments	496,873	1,543,643	—	2,040,516

(Amounts in millions of Renminbi, unless otherwise stated)

42. OPERATING SEGMENTS (continued)

County Area and Urban Area segments (continued)

For the six months ended 30 June 2010

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
External interest income	35,906	132,374	—	168,280
External interest expense	(20,210)	(36,362)	—	(56,572)
Inter-segment interest income/ (expense)	25,068	(25,068)	—	—
Net interest income	40,764	70,944	—	111,708
Fee and commission income	8,966	14,210	—	23,176
Fee and commission expense	(196)	(521)	—	(717)
Net fee and commission income	8,770	13,689	—	22,459
Net trading (loss)/gain	(526)	989	—	463
Net loss on financial instruments designated as at fair value through profit or loss	—	(170)	—	(170)
Net gain on investment securities	—	143	—	143
Other operating income, net	1,164	351	—	1,515
Operating income	50,172	85,946	—	136,118
Operating expenses	(25,969)	(32,499)	—	(58,468)
Impairment losses on assets	(9,684)	(9,939)	—	(19,623)
Profit before tax	14,519	43,508	—	58,027
Income tax expense				(12,164)
Profit for the period				45,863
Depreciation and amortisation included in operating expenses	(1,490)	(4,105)	—	(5,595)
Capital expenditure	862	2,377	—	3,239
As at 31 December 2010				
Segment assets	3,843,686	6,517,358	(55,108)	10,305,936
Including: Interest in an associate	—	141	—	141
Unallocated assets				31,470
Total assets				10,337,406
Segment liabilities	(3,689,774)	(6,144,009)	55,108	(9,778,675)
Unallocated liabilities				(16,495)
Total liabilities				(9,795,170)
Credit commitments	356,273	1,284,173	—	1,640,446

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS

a. The Group and the MOF

As at 30 June 2011, the MOF directly owned 39.21% (31 December 2010: 39.21%) of the share capital of the Bank.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

The Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

	As at 30 June 2011	As at 31 December 2010
Treasury bonds and special government bond	575,909	582,750
Receivable from the MOF	504,876	568,410
Interest receivable from the MOF	2,515	280
Amount payable to the MOF	5,741	5,311
Deposits from the MOF	10,659	13,002
Other liability — redemption of certificate treasury bonds on behalf of the MOF	1,191	1,226

	Six months ended 30 June	
	2011	2010
Net interest income	18,125	18,929
Fee and commission income	1,340	1,252

Interest rate range during the periods are as follows:

	Six months ended 30 June	
	2011 %	2010 %
Treasury bonds	1.44 – 6.34	0.89 – 6.34
Deposits from the MOF	0.22 – 1.35	0.01 – 2.25

Government bonds underwriting and redemption commitment are disclosed in note 44.

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (continued)

b. The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, and is incorporated in Beijing, PRC with a registered capital of RMB552,117 million. Huijin was established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations in the Bank on behalf of the PRC Government.

As at 30 June 2011, Huijin directly owned 40.03% (31 December 2010: 40.03%) of the share capital of the Bank.

The Group has the following balance and has entered into the following transactions with Huijin in its ordinary course of business:

	As at 30 June 2011	As at 31 December 2010
Debt securities	11,209	11,260
Interest receivable from Huijin	347	134
Deposits from Huijin	2,600	14,384
Interest payable to Huijin	—	2
Financial liabilities at fair value through profit or loss	—	4,000

	Six months ended 30 June	
	2011	2010
Net interest income	253	10
Loss on fair value changes of available-for-sale financial assets	51	—

Interest rate range during the periods are as follows:

	Six months ended 30 June	
	2011 %	2010 %
Debt securities	3.14 – 4.20	3.14 – 4.20
Deposits from Huijin	0.36 – 1.49	0.36 – 1.35

c. The Bank and its subsidiaries

The Bank has entered into transactions with its subsidiaries, entities that it controls. Transactions are made at arm's length and in the ordinary course of business.

In the opinion of the directors, transactions between the Bank and its subsidiaries are not significant.

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (continued)

d. The Bank and its associate

The Bank has entered into transactions with its associate, entity that it does not control. Transactions are made at arm's length and in the ordinary course of business.

In the opinion of the directors, transactions between the Bank and its associate are not significant.

e. The Group and government related entities

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government related entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange related services, agency services, purchase, sales and redemption of treasury bonds issued by the government.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

f. Key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business, and the Group had no material transactions with key management personnel.

g. The Group and the Annuity Plan

The Group has the following balance and transactions with the Annuity Plan set up by the Bank:

	As at 30 June 2011	As at 31 December 2010
Due to customers	8,760	4,169

	Six months ended 30 June	
	2011	2010
Interest expense	4	44

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (continued)

g. The Group and the Annuity Plan (continued)

Interest rate range during the periods are as follows:

	Six months ended 30 June	
	2011	2010
	%	%
Due to customers	0.36 – 1.49	0.36 – 1.35

44. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries are involved as a defendant in certain lawsuits arising from their normal business operations. As at 30 June 2011, provisions of RMB2,035 million (31 December 2010: RMB2,441 million) were made based on court judgments or the advice of legal counsel. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 30 June 2011	As at 31 December 2010
Authorised but not contracted for	557	1,386
Contracted but not provided for	5,885	6,913
Total	**6,442**	**8,299**

Credit commitments

	As at 30 June 2011	As at 31 December 2010
Loan commitments	1,184,490	955,563
— With an original maturity of less than 1 year	224,964	88,864
— With an original maturity of 1 year or above	959,526	866,699
Letters of credit	103,418	79,400
Letters of guarantee	186,018	158,584
Acceptances	374,463	311,664
Credit card commitments	192,127	135,235
Total	**2,040,516**	**1,640,446**

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

(Amounts in millions of Renminbi, unless otherwise stated)

44. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Credit risk weighted amounts for credit commitments

	As at 30 June 2011	As at 31 December 2010
Credit commitments	720,337	684,793

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 weights used range from 0% to 100%.

Operating lease commitments

At the end of each reporting period, the Group, as a lessee, has the following non-cancellable operating lease commitments:

	As at 30 June 2011	As at 31 December 2010
Within 1 year	990	1,707
1 to 2 years	1,708	1,496
2 to 3 years	1,472	1,247
Above 3 years	4,978	3,978
Total	**9,148**	**8,428**

Finance lease commitments

At the end of each reporting period, the Group, as a lessor, has the following non-cancellable finance lease commitments:

	As at 30 June 2011	As at 31 December 2010
Contractual amount	669	115

(Amounts in millions of Renminbi, unless otherwise stated)

44. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Collateral

Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral are as follows. These include assets pledged as collateral under repurchase agreements as set out in note 32.

	As at 30 June 2011	As at 31 December 2010
Bonds	61,137	26,652
Bills	6,804	10,935
Total	**67,941**	**37,587**

The net book value of financial assets sold under repurchase agreements by the Group as at 30 June 2011 was RMB66,645 million (31 December 2010: RMB37,467 million). All repurchase agreements are due within 12 months from the effective dates of the agreements.

In addition, the bonds pledged in accordance with regulatory requirements or as collateral of derivative transactions by the Group as at 30 June 2011 amounted to RMB5,631 million (31 December 2010: RMB5,851 million).

Collateral accepted

Part of securities received by the Group as collateral in connection with purchase of assets under resale agreements and security lending business can be resold or re-pledged. The fair value of these collateral as at 30 June 2011 was RMB18,423 million (31 December 2010: RMB27,285 million). Of this total, the fair value of collateral that the Group sold but has an obligation to return, as at 30 June 2011, amounted to RMB7,294 million (31 December 2010: RMB11,381 million).

Government bonds underwriting and redemption commitment

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of treasury bonds have a right to redeem the bonds at par at any time prior to maturity and the Group is committed to such redemption. The redemption price is calculated as the par value of the treasury bond plus unpaid interest in accordance with the early redemption arrangement.

As at 30 June 2011, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB59,993 million (31 December 2010: RMB68,891 million). The original maturities of these bonds vary from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

45. FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to maintain risk within acceptable parameters to meet requirements from regulators, depositors and other stakeholders, and to maximise return for investors within an acceptable level of risk.

The Group has designed risk management policies and set up risk limits and 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 practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal rules, measures and procedures related to risk management. The Risk Management Department of the Group implements procedures for managing risk arising from financial instruments.

45.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from loans and receivables, treasury operations and off-balance sheet related credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loans management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Credit risk management (continued)

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Impairment assessment

Key factors on impairment assessment

In accordance with the Guideline for Loan Credit Risk Classification issued by the CBRC, the Group sets up loan credit risk classification system and performs credit risk management based on loan classification of five categories. The Group classifies loans into the following five categories: normal, special mention, substandard, doubtful and loss. Loans classified as substandard, doubtful and loss are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relate to borrowers' repayment ability, repayment record and intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses are assessed collectively or individually as appropriate.

The five categories of loan classification in which the Group classifies its loans and advances to customers are set out 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, through their normal operational revenue, guarantee or pledged collateral, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Impairment assessment (continued)

Key factors on impairment assessment (continued)

Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

For investment on debt securities, the Group makes individual assessment of impairment at each period end. For available-for-sale debt securities, which are measured at fair value, the Group recognises prolonged decline in fair value below its cost or amortised cost as allowance for impairment losses.

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from credit and treasury operations. Off balance sheet items such as derivatives, loan commitments, acceptances, letters of guarantee and letters of credit also contain credit risk.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

A summary of the maximum exposure to credit risk is as follows:

	As at 30 June 2011	As at 31 December 2010
Balances with central banks	2,389,099	2,020,679
Deposits with banks and other financial institutions	97,435	77,893
Placements with banks and other financial institutions	261,723	95,375
Financial assets held for trading	11,474	7,213
Financial assets designated as at fair value through profit or loss	44,183	43,044
Derivative financial assets	8,838	9,173
Financial assets held under resale agreements	637,645	525,331
Loans and advances to customers	5,187,987	4,788,008
Available-for-sale financial assets	739,434	664,067
Held-to-maturity investments	1,044,664	1,036,658
Debt securities classified as receivables	706,547	772,013
Other financial assets	68,941	45,200
Subtotal	11,197,970	10,084,654
Off-balance sheet item		
Credit commitments	2,040,516	1,640,446
Total	**13,238,486**	**11,725,100**

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties or other assets of the borrowers; and
- reverse repurchase transactions are mainly collateralised by bonds, bills, loans and advance, and securities.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers

The following tables set out the concentration of risk for loans and advances to customers by geographical area and industry.

(1) The composition of loans and advances to customers by geographical area is analysed as follows:

	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Head Office	84,427	2.1	76,486	2.0
Yangtze River Delta	1,069,787	26.3	1,001,545	26.3
Pearl River Delta	519,309	12.8	487,509	12.8
Bohai Rim	768,483	18.9	716,804	18.8
Central China	482,717	11.9	467,575	12.3
Western China	886,974	21.8	847,764	22.2
Northeastern China	145,144	3.6	138,880	3.6
Overseas and Others	106,058	2.6	75,508	2.0
Subtotal	4,062,899	100.0	3,812,071	100.0
Personal loans and advances				
Head Office	120	—	119	—
Yangtze River Delta	391,567	29.6	351,777	30.7
Pearl River Delta	254,708	19.3	230,348	20.1
Bohai Rim	177,325	13.4	152,380	13.3
Central China	161,134	12.2	133,621	11.7
Western China	287,616	21.8	241,232	21.1
Northeastern China	48,246	3.7	34,996	3.1
Overseas and Others	298	—	197	—
Subtotal	1,321,014	100.0	1,144,670	100.0
Gross loans and advances to customers	**5,383,913**		**4,956,741**	

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers (continued)

(2) *The composition of loans and advances to customers by industry is analysed as follows:*

	As at 30 June 2011		As at 31 December 2010	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,190,210	29.3	1,103,520	28.9
Real estate	546,015	13.4	551,319	14.5
Transportation, logistics and postal services	431,291	10.6	396,036	10.4
Production and supply of power, gas and water	424,863	10.5	397,030	10.4
Retail and wholesale	394,752	9.7	326,575	8.6
Leasing and commercial services	245,836	6.0	211,236	5.5
Water, environment and public utilities management	197,288	4.9	213,751	5.6
Construction	168,034	4.1	150,348	3.9
Mining	145,770	3.6	120,586	3.2
Information transmission, computer services and software	14,292	0.4	18,909	0.5
Others	304,548	7.5	322,761	8.5
Subtotal	4,062,899	100.0	3,812,071	100.0
Personal loans and advances				
Residential mortgage	826,487	62.5	724,594	63.3
Personal business	150,639	11.4	130,244	11.4
Personal consumption	142,319	10.8	133,093	11.6
Credit card overdraft	64,149	4.9	37,820	3.3
Others	137,420	10.4	118,919	10.4
Subtotal	1,321,014	100.0	1,144,670	100.0
Gross loans and advances to customers	**5,383,913**		**4,956,741**	

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers (continued)

(3) *The composition of loans and advances to customers by contractual maturity and security type is analysed as follows:*

	As at 30 June 2011			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	424,322	335,180	391,719	1,151,221
Guaranteed loans	676,628	293,254	304,833	1,274,715
Loans secured by mortgage	783,106	600,949	1,019,681	2,403,736
Pledged loans	244,287	44,266	265,688	554,241
Total	**2,128,343**	**1,273,649**	**1,981,921**	**5,383,913**

	As at 31 December 2010			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	335,087	318,753	367,877	1,021,717
Guaranteed loans	624,040	271,251	295,308	1,190,599
Loans secured by mortgage	718,132	608,500	882,134	2,208,766
Pledged loans	246,795	39,107	249,757	535,659
Total	**1,924,054**	**1,237,611**	**1,795,076**	**4,956,741**

(4) *Past due loans*

	As at 30 June 2011				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,253	1,101	534	912	7,800
Guaranteed loans	4,638	2,580	8,497	4,285	20,000
Loans secured by mortgage	13,666	3,806	14,782	8,074	40,328
Pledged loans	351	754	2,957	696	4,758
Total	**23,908**	**8,241**	**26,770**	**13,967**	**72,886**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers (continued)

(4) Past due loans (continued)

	As at 31 December 2010				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,478	850	1,053	412	3,793
Guaranteed loans	4,095	3,060	9,880	4,210	21,245
Loans secured by mortgage	14,893	4,954	20,086	4,182	44,115
Pledged loans	706	1,163	4,160	562	6,591
Total	**21,172**	**10,027**	**35,179**	**9,366**	**75,744**

Note: *When either loan principal or interest was past due by one day in any period, the whole loan is classified as past due loan.*

(5) Credit quality of loans and advances to customers

	Notes	As at 30 June 2011	As at 31 December 2010
Neither past due nor impaired	(i)	5,272,939	4,838,955
Past due but not impaired	(ii)	20,926	17,381
Impaired	(iii)	90,048	100,405
Subtotal		5,383,913	4,956,741
Allowance for impairment losses of loans and advances to customers		(195,926)	(168,733)
Loans and advances to customers		5,187,987	4,788,008

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers (continued)

(i) Loans and advances neither past due nor impaired

	As at 30 June 2011		
	Normal	Special mention	Total
Corporate loans and advances	3,700,559	282,617	3,983,176
Personal loans and advances	1,276,695	13,068	1,289,763
Total	**4,977,254**	**295,685**	**5,272,939**

	As at 31 December 2010		
	Normal	Special mention	Total
Corporate loans and advances	3,431,522	290,746	3,722,268
Personal loans and advances	1,104,666	12,021	1,116,687
Total	**4,536,188**	**302,767**	**4,838,955**

(ii) Loans and advances past due but not impaired

	As at 30 June 2011				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	303	4	—	307	173
Personal loans and advances	16,947	2,828	844	20,619	20,102
Total	**17,250**	**2,832**	**844**	**20,926**	**20,275**

	As at 31 December 2010				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	364	1	—	365	654
Personal loans and advances	13,535	2,545	936	17,016	25,631
Total	**13,899**	**2,546**	**936**	**17,381**	**26,285**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers (continued)

(iii) Impaired loans and advances

	As at 30 June 2011		
	Book value	Impairment	Net book value
Individually assessed	79,415	(53,370)	26,045
Collectively assessed	10,633	(5,784)	4,849
Total	**90,048**	**(59,154)**	**30,894**

	As at 31 December 2010		
	Book value	Impairment	Net book value
Individually assessed	89,438	(58,501)	30,937
Collectively assessed	10,967	(6,318)	4,649
Total	**100,405**	**(64,819)**	**35,586**

Including:

	As at 30 June 2011	As at 31 December 2010
Individually assessed and impaired	79,415	89,438
Individually assessed and impaired %	1.48%	1.80%
Fair value of collateral	7,132	10,376

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers (continued)

(5) *Credit quality of loans and advances to customers* (continued)

(iii) Impaired loans and advances (continued)

The composition of impaired loans and advances to customers by geographical area is analysed as follows:

	As at 30 June 2011		As at 31 December 2010	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	1	—	2,001	2.0
Yangtze River Delta	14,775	16.4	15,760	15.7
Pearl River Delta	13,254	14.7	13,727	13.7
Bohai Rim	14,460	16.1	16,503	16.4
Central China	12,525	13.9	14,142	14.1
Western China	30,283	33.6	32,965	32.9
Northeastern China	4,519	5.0	5,065	5.0
Overseas and Others	231	0.3	242	0.2
Total	**90,048**	**100.0**	**100,405**	**100.0**

(6) *Rescheduled loans and advances*

Rescheduled loans and advances arise from renegotiating and deferring repayment terms and the reschedule policies are subject to continuous monitoring. Rescheduled loans and advances as at 30 June 2011 amounted to RMB11,100 million (31 December 2010: RMB10,612 million).

(7) *Assets foreclosed under credit enhancement arrangement*

Such assets are included in Other Assets.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Debt securities and bills

Credit quality of debt securities and bills

	Notes	As at 30 June 2011	As at 31 December 2010
Neither past due nor impaired	(1)	2,540,153	2,516,197
Impaired	(2)	5,605	6,964
Subtotal		2,545,758	2,523,161
Less: Allowance for impairment losses		(149)	(174)
Debt securities and bills		**2,545,609**	**2,522,987**

(1) Debt securities and bills neither past due nor impaired

	As at 30 June 2011				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	5,026	397,666	572,017	—	974,709
Public sector and quasi-government bonds	3,892	197,569	395,053	—	596,514
Financial institution bonds	10,800	17,980	23,873	15,587	68,240
Corporate bonds	10,779	121,725	52,766	1,550	186,820
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	504,876	504,876
Certificate treasury bonds and savings treasury bonds	—	—	—	25,764	25,764
PBOC's special bills	—	—	—	65,463	65,463
Credit notes issued by trust companies	24,467	—	—	—	24,467
Total	**54,964**	**734,940**	**1,043,709**	**706,540**	**2,540,153**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Debt securities and bills (continued)

Credit quality of debt securities and bills (continued)

(1) Debt securities and bills neither past due nor impaired (continued)

	As at 31 December 2010				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Debt securities classified as receivables**	**Total**
Government bonds	4,299	364,485	613,403	—	982,187
Public sector and quasi-government bonds	1,488	162,001	343,168	—	506,657
Financial institution bonds	6,723	17,794	24,435	14,906	63,858
Corporate bonds	8,854	114,093	54,563	—	177,510
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	568,410	568,410
Certificate treasury bonds and savings treasury bonds	—	—	—	30,484	30,484
PBOC's special bills	—	—	—	64,906	64,906
Credit notes issued by trust companies	28,885	—	—	—	28,885
Total	**50,249**	**658,373**	**1,035,569**	**772,006**	**2,516,197**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Debt securities and bills (continued)

Credit quality of debt securities and bills (continued)

(2) Impaired debt securities

	As at 30 June 2011			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector and quasi-government bonds	669	226	—	895
Financial institution bonds	3,822	794	—	4,616
Corporate bonds	3	—	91	94
Total	**4,494**	**1,020**	**91**	**5,605**

	As at 31 December 2010			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector and quasi-government bonds	973	363	—	1,336
Financial institution bonds	4,718	813	—	5,531
Corporate bonds	3	—	94	97
Total	**5,694**	**1,176**	**94**	**6,964**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Debt securities and bills (continued)

Credit quality of debt securities and bills (continued)

(3) Debt securities and bills analysed by credit rating from reputable rating agencies

	As at 30 June 2011					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	967,202	6,954	193	360	—	974,709
Public sector and quasi-government bonds	555,927	37,902	—	3,388	192	597,409
Financial institution bonds	1,869	41,525	11,918	13,517	3,968	72,797
Corporate bonds	5,504	134,568	13,836	30,619	2,297	186,824
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	504,876	—	—	—	—	504,876
Certificate treasury bonds and savings treasury bonds	25,764	—	—	—	—	25,764
PBOC's special bills	65,463	—	—	—	—	65,463
Credit notes issued by trust companies	24,467	—	—	—	—	24,467
Total	**2,244,372**	**220,949**	**25,947**	**47,884**	**6,457**	**2,545,609**

	As at 31 December 2010					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	981,274	202	241	470	—	982,187
Public sector and quasi-government bonds	468,380	35,689	—	3,724	193	507,986
Financial institution bonds	5,971	41,200	9,560	11,353	1,230	69,314
Corporate bonds	5,446	116,630	14,881	39,069	1,489	177,515
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	568,410	—	—	—	—	568,410
Certificate treasury bonds and savings treasury bonds	30,484	—	—	—	—	30,484
PBOC's special bills	64,906	—	—	—	—	64,906
Credit notes issued by trust companies	28,885	—	—	—	—	28,885
Total	**2,247,056**	**193,721**	**24,682**	**54,616**	**2,912**	**2,522,987**

45. FINANCIAL RISK MANAGEMENT (continued)

45.2 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department manages its liquidity risk via:

- optimising assets and liabilities structure;
- maintaining stability of deposit base;
- making advance projection on future cash flows and evaluating the appropriate liquid assets position; and
- maintaining an efficient internal fund transfer mechanism within the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.2 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and liabilities

The tables below summarise the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of each reporting period.

	As at 30 June 2011							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and balances with central banks	2,043,816	234,601	—	—	—	174,000	—	2,452,417
Deposits with banks and other financial institutions	—	67,606	4,510	17,506	7,813	—	—	97,435
Placements with banks and other financial institutions	—	483	220,145	8,568	32,268	259	—	261,723
Financial assets held for trading	—	—	577	1,023	6,771	2,339	764	11,474
Financial assets designated as at fair value through profit or loss	447	64	5,277	4,747	17,596	15,929	123	44,183
Derivative financial assets	—	20	475	1,274	1,644	1,470	3,955	8,838
Financial assets held under resale agreements	—	—	321,090	208,242	108,313	—	—	637,645
Loans and advances to customers	13,690	—	248,031	403,105	1,764,872	1,267,100	1,491,189	5,187,987
Available-for-sale financial assets	454	—	31,427	102,766	211,082	249,697	144,462	739,888
Held-to-maturity investments	—	—	47,843	38,638	202,641	445,660	309,882	1,044,664
Debt securities classified as receivables	7	—	564	66,721	6,743	20,250	612,262	706,547
Other financial assets	660	17,738	15,237	23,634	11,599	38	35	68,941
Total financial assets	2,059,074	320,512	895,176	876,224	2,371,342	2,176,742	2,562,672	11,261,742
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(301,949)	(23,153)	(12,786)	(32,119)	(253,638)	(13,232)	(636,877)
Placements from banks and other financial institutions	—	(673)	(37,954)	(25,075)	(9,137)	(68)	(124)	(73,031)
Financial liabilities held for trading	—	—	(271)	—	—	—	—	(271)
Financial liabilities designated as at fair value through profit or loss	—	(3)	(8,789)	(3,394)	(19,945)	(2,890)	(67)	(35,088)
Derivative financial liabilities	—	(2)	(649)	(1,238)	(1,316)	(1,939)	(5,735)	(10,879)
Financial assets sold under repurchase agreements	—	—	(14,558)	(17,438)	(34,649)	—	—	(66,645)
Due to customers	—	(5,985,862)	(376,138)	(669,448)	(2,101,417)	(571,825)	(1,897)	(9,706,587)
Debt securities issued	—	—	(658)	(810)	(10,926)	(31,670)	(74,930)	(118,994)
Other financial liabilities	—	(47,812)	(15,108)	(12,241)	(33,685)	(23,261)	(17)	(132,124)
Total financial liabilities	—	(6,336,331)	(477,278)	(742,430)	(2,243,194)	(885,291)	(96,002)	(10,780,526)
Net position	**2,059,074**	**(6,015,819)**	**417,898**	**133,794**	**128,148**	**1,291,451**	**2,466,670**	**481,216**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.2 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and liabilities (continued)

	As at 31 December 2010							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and balances with central banks	1,724,315	184,017	—	—	—	174,000	—	2,082,332
Deposits with banks and other financial institutions	—	37,688	6,825	15,960	17,420	—	—	77,893
Placements with banks and other financial institutions	—	3,804	67,658	6,450	17,198	265	—	95,375
Financial assets held for trading	—	—	102	243	3,306	2,853	709	7,213
Financial assets designated as at fair value through profit or loss	—	195	2,782	8,810	16,727	14,385	145	43,044
Derivative financial assets	—	6	490	677	1,832	1,562	4,606	9,173
Financial assets held under resale agreements	—	—	330,030	119,049	76,252	—	—	525,331
Loans and advances to customers	10,978	—	217,603	410,601	1,508,300	1,283,384	1,357,142	4,788,008
Available-for-sale financial assets	459	3,977	14,536	46,357	235,538	224,881	142,755	668,503
Held-to-maturity investments	—	—	7,722	97,735	176,243	456,964	297,994	1,036,658
Debt securities classified as receivables	7	—	368	1,742	71,658	23,129	675,109	772,013
Other financial assets	490	5,103	9,488	14,778	15,139	202	—	45,200
Total financial assets	1,736,249	234,790	657,604	722,402	2,139,613	2,181,625	2,478,460	10,150,743
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(282,004)	(13,428)	(16,242)	(21,772)	(181,929)	(10,875)	(526,250)
Placements from banks and other financial institutions	—	(2,542)	(31,353)	(16,289)	(6,309)	(52)	(157)	(56,702)
Financial liabilities held for trading	—	—	(331)	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	—	(7,055)	(13,488)	(13,157)	(918)	(64)	(34,682)
Derivative financial liabilities	—	(23)	(513)	(1,012)	(2,174)	(1,756)	(6,900)	(12,378)
Financial assets sold under repurchase agreements	—	—	(32,172)	(3,466)	(1,829)	—	—	(37,467)
Due to customers	—	(5,621,202)	(305,037)	(701,218)	(1,775,701)	(482,634)	(2,113)	(8,887,905)
Debt securities issued	—	—	(2)	(951)	(6,670)	(29,742)	(24,979)	(62,344)
Other financial liabilities	(29)	(44,510)	(7,959)	(14,350)	(31,219)	(18,667)	(2)	(116,736)
Total financial liabilities	(29)	(5,950,311)	(397,850)	(767,016)	(1,858,831)	(715,698)	(45,090)	(9,734,825)
Net position	**1,736,220**	**(5,715,521)**	**259,754**	**(44,614)**	**280,782**	**1,465,927**	**2,433,370**	**415,918**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivative financial assets and liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at 30 June 2011							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	2,043,816	234,601	—	889	—	181,648	—	2,460,954
Deposits with banks and other financial institutions	—	67,606	4,515	17,652	7,977	—	—	97,750
Placements with banks and other financial institutions	—	483	220,387	8,841	32,702	268	—	262,681
Financial assets held for trading	—	—	587	1,060	7,112	2,778	840	12,377
Financial assets designated as at fair value through profit or loss	447	64	5,704	4,982	18,275	16,459	210	46,141
Financial assets held under resale agreements	—	—	322,667	212,333	110,819	—	—	645,819
Loans and advances to customers	48,776	—	263,557	429,261	1,918,384	1,590,119	2,291,817	6,541,914
Available-for-sale financial assets	454	—	32,470	107,531	227,318	297,935	174,272	839,980
Held-to-maturity investments	—	—	50,696	44,383	227,151	525,719	382,863	1,230,812
Debt securities classified as receivables	7	—	892	73,526	20,260	99,922	751,178	945,785
Other financial assets	14	21,625	12	14	16	—	—	21,681
Total non-derivative financial assets	2,093,514	324,379	901,487	900,472	2,570,014	2,714,848	3,601,180	13,105,894
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(301,949)	(23,170)	(12,999)	(37,186)	(284,014)	(13,282)	(672,600)
Placements from banks and other financial institutions	—	(673)	(38,008)	(25,197)	(9,205)	(75)	(130)	(73,288)
Financial liabilities held for trading	—	—	(271)	—	—	—	—	(271)
Financial liabilities designated as at fair value through profit or loss	—	(3)	(8,878)	(3,609)	(20,673)	(3,019)	(96)	(36,278)
Financial assets sold under repurchase agreements	—	—	(14,584)	(17,704)	(35,740)	—	—	(68,028)
Due to customers	—	(5,989,946)	(382,515)	(684,674)	(2,176,089)	(671,653)	(4,397)	(9,909,274)
Debt securities issued	—	—	(659)	(820)	(15,542)	(48,015)	(91,165)	(156,201)
Other financial liabilities	—	(43,997)	(8,852)	—	—	(508)	—	(53,357)
Total non-derivative financial liabilities	—	(6,336,598)	(476,937)	(745,003)	(2,294,435)	(1,007,284)	(109,070)	(10,969,327)
Net position	**2,093,514**	**(6,012,219)**	**424,550**	**155,469**	**275,579**	**1,707,564**	**3,492,110**	**2,136,567**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

	As at 31 December 2010							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	1,724,315	184,018	—	811	—	181,478	—	2,090,622
Deposits with banks and other financial institutions	—	37,688	6,841	16,034	17,740	—	—	78,303
Placements with banks and other financial institutions	—	3,804	67,831	6,617	17,560	274	—	96,086
Financial assets held for trading	—	—	106	271	3,489	3,164	791	7,821
Financial assets designated as at fair value through profit or loss	—	195	2,897	9,146	17,443	15,061	236	44,978
Financial assets held under resale agreements	—	—	331,800	120,486	76,953	—	—	529,239
Loans and advances to customers	48,991	—	231,500	438,946	1,633,720	1,627,845	2,196,137	6,177,139
Available-for-sale financial assets	459	3,977	15,015	48,905	253,563	267,982	169,802	759,703
Held-to-maturity investments	—	—	8,647	103,897	202,457	537,448	372,647	1,225,096
Debt securities classified as receivables	7	—	368	6,440	90,043	110,318	836,200	1,043,376
Other financial assets	89	5,101	1,369	—	—	—	—	6,559
Total non-derivative financial assets	1,773,861	234,783	666,374	751,553	2,312,968	2,743,570	3,575,813	12,058,922
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(282,005)	(13,447)	(16,327)	(24,233)	(196,235)	(11,337)	(543,584)
Placements from banks and other financial institutions	—	(2,543)	(31,395)	(16,359)	(6,382)	(53)	(172)	(56,904)
Financial liabilities held for trading	—	—	(331)	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	—	(7,129)	(13,670)	(13,415)	(975)	(100)	(35,289)
Financial assets sold under repurchase agreements	—	—	(32,223)	(3,502)	(1,874)	—	—	(37,599)
Due to customers	—	(5,624,602)	(314,260)	(747,044)	(1,860,097)	(500,562)	(2,114)	(9,048,679)
Debt securities issued	—	—	(3)	(958)	(8,557)	(36,229)	(29,000)	(74,747)
Other financial liabilities	(29)	(41,811)	(684)	—	(383)	(58)	—	(42,965)
Total non-derivative financial liabilities	(29)	(5,950,991)	(399,472)	(797,860)	(1,914,941)	(734,112)	(42,723)	(9,840,128)
Net position	**1,773,832**	**(5,716,208)**	**266,902**	**(46,307)**	**398,027**	**2,009,458**	**3,533,090**	**2,218,794**

Assets available to meet all of the liabilities and outstanding loan commitments include cash and balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition, the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.2 Liquidity risk (continued)

Derivative cash flows

Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis are mainly interest rate related. The tables below set forth the Group's net derivative positions by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at 30 June 2011					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Interest rate derivatives	(27)	(84)	(243)	(465)	(30)	(849)

	As at 31 December 2010					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Interest rate derivatives	(67)	(72)	(210)	(393)	(124)	(866)

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis are mainly currency rate related. The tables below set forth the Group's gross derivative positions by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at 30 June 2011					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Currency rate derivatives						
— Cash inflow	101,010	91,546	164,016	10,729	1,938	369,239
— Cash outflow	(101,159)	(91,548)	(163,757)	(11,569)	(2,808)	(370,841)
Total	**(149)**	**(2)**	**259**	**(840)**	**(870)**	**(1,602)**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.2 Liquidity risk (continued)

Derivative cash flows (continued)

Derivatives settled on a gross basis (continued)

	As at 31 December 2010					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Currency rate derivatives						
— Cash inflow	86,054	69,285	181,913	12,079	1,916	351,247
— Cash outflow	(86,139)	(69,628)	(182,116)	(12,833)	(3,139)	(353,855)
Total	**(85)**	**(343)**	**(203)**	**(754)**	**(1,223)**	**(2,608)**

Credit commitments

The Group's off-balance sheet items mainly include loan commitments, letters of credit, letters of guarantee, acceptances and credit card commitments. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	As at 30 June 2011			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	962,345	61,809	160,336	1,184,490
Letters of credit	94,388	9,030	—	103,418
Letters of guarantee	58,737	67,171	60,110	186,018
Acceptances	374,463	—	—	374,463
Credit card commitments	192,127	—	—	192,127
Total	**1,682,060**	**138,010**	**220,446**	**2,040,516**

	As at 31 December 2010			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	695,780	42,877	216,906	955,563
Letters of credit	72,506	6,894	—	79,400
Letters of guarantee	37,584	57,118	63,882	158,584
Acceptances	311,664	—	—	311,664
Credit card commitments	135,235	—	—	135,235
Total	**1,252,769**	**106,889**	**280,788**	**1,640,446**

45. FINANCIAL RISK MANAGEMENT (continued)

45.3 Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices. Market risk arises from both the Group's proprietary and customer driven business.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking and other price risk arising from treasury operations. Interest rate risk is inherent in many of the Group's businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

The Group considers the market risk arising from commodity and equity prices in respect of its trading and investment portfolios as immaterial.

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign currency operations.

The exchange rate of RMB to USD has gradually risen over the past few years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.3 Market risk (continued)

Foreign currency risk (continued)

The breakdown of all financial assets and liabilities at the end of each reporting period analysed by currency is as follows:

	As at 30 June 2011				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,444,095	6,699	1,024	599	2,452,417
Deposits with banks and other financial institutions	38,814	43,318	10,529	4,774	97,435
Placements with banks and other financial institutions	256,719	4,965	—	39	261,723
Financial assets held for trading	11,076	177	125	96	11,474
Financial assets designated as at fair value through profit or loss	26,833	7,421	9,488	441	44,183
Derivative financial assets	3,429	3,459	631	1,319	8,838
Financial assets held under resale agreements	637,360	189	—	96	637,645
Loans and advances to customers	4,912,280	246,288	22,465	6,954	5,187,987
Available-for-sale financial assets	704,630	29,698	1,324	4,236	739,888
Held-to-maturity investments	1,021,318	22,748	326	272	1,044,664
Debt securities classified as receivables	706,540	—	—	7	706,547
Other financial assets	66,392	2,093	353	103	68,941
Total financial assets	10,829,486	367,055	46,265	18,936	11,261,742
Borrowings from central bank	(30)	—	—	—	(30)
Deposits from banks and other financial institutions	(472,997)	(159,833)	(2,604)	(1,443)	(636,877)
Placements from banks and other financial institutions	(8,944)	(38,926)	(13,538)	(11,623)	(73,031)
Financial liabilities held for trading	—	(271)	—	—	(271)
Financial liabilities designated as at fair value through profit or loss	(33,911)	(983)	(172)	(22)	(35,088)
Derivative financial liabilities	(3,363)	(4,725)	(832)	(1,959)	(10,879)
Financial assets sold under repurchase agreements	(56,877)	(9,768)	—	—	(66,645)
Due to customers	(9,556,855)	(116,901)	(17,792)	(15,039)	(9,706,587)
Debt securities issued	(101,915)	(3,140)	(13,549)	(390)	(118,994)
Other financial liabilities	(124,198)	(6,432)	(1,255)	(239)	(132,124)
Total financial liabilities	(10,359,090)	(340,979)	(49,742)	(30,715)	(10,780,526)
Net exposure	**470,396**	**26,076**	**(3,477)**	**(11,779)**	**481,216**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.3 Market risk (continued)

Foreign currency risk (continued)

	As at 31 December 2010				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,074,892	5,731	1,059	650	2,082,332
Deposits with banks and other financial institutions	38,117	21,210	4,969	13,597	77,893
Placements with banks and other financial institutions	79,265	14,880	—	1,230	95,375
Financial assets held for trading	7,093	120	—	—	7,213
Financial assets designated as at fair value through profit or loss	31,446	4,492	6,766	340	43,044
Derivative financial assets	3,341	3,547	694	1,591	9,173
Financial assets held under resale agreements	525,000	331	—	—	525,331
Loans and advances to customers	4,581,706	170,496	31,699	4,107	4,788,008
Available-for-sale financial assets	631,168	34,400	1,398	1,537	668,503
Held-to-maturity investments	1,012,666	23,238	335	419	1,036,658
Debt securities classified as receivables	772,006	—	—	7	772,013
Other financial assets	41,830	2,296	999	75	45,200
Total financial assets	9,798,530	280,741	47,919	23,553	10,150,743
Borrowings from central bank	(30)	—	—	—	(30)
Deposits from banks and other financial institutions	(373,268)	(148,425)	(2,582)	(1,975)	(526,250)
Placements from banks and other financial institutions	(9,640)	(30,614)	(4,191)	(12,257)	(56,702)
Financial liabilities held for trading	—	(331)	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	(33,550)	(1,023)	(109)	—	(34,682)
Derivative financial liabilities	(3,670)	(5,582)	(843)	(2,283)	(12,378)
Financial assets sold under repurchase agreements	(27,314)	(10,153)	—	—	(37,467)
Due to customers	(8,771,812)	(84,149)	(17,151)	(14,793)	(8,887,905)
Debt securities issued	(50,962)	(1,995)	(9,387)	—	(62,344)
Other financial liabilities	(110,842)	(4,876)	(870)	(148)	(116,736)
Total financial liabilities	(9,381,088)	(287,148)	(35,133)	(31,456)	(9,734,825)
Net exposure	**417,442**	**(6,407)**	**12,786**	**(7,903)**	**415,918**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.3 Market risk (continued)

Foreign currency risk (continued)

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

	Profit before tax	
	Six months ended 30 June 2011	**Year ended 31 December 2010**
5% appreciation	1,952	1,506
5% depreciation	(1,952)	(1,506)

The impact on the profit before tax arises from the effects of movement in RMB exchange rate on the net positions of foreign currency monetary assets and liabilities and currency derivative instruments.

The effect on profit before tax is based on the assumption that the Group's foreign currency sensitive positions and currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency exchange rate movements. Therefore, the above sensitivity analysis may differ from the actual situation.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macro-economic factors that may impact the PBOC benchmark interest rates;
- minimising the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities; and
- enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.3 Market risk (continued)

Interest rate risk (continued)

The tables below summarise the contractual maturity or repricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of the reporting period.

	As at 30 June 2011						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,088,945	—	—	174,000	—	189,472	2,452,417
Deposits with banks and other financial institutions	72,116	17,506	7,813	—	—	—	97,435
Placements with banks and other financial institutions	223,430	9,396	28,897	—	—	—	261,723
Financial assets held for trading	989	2,034	6,612	1,161	553	125	11,474
Financial assets designated as at fair value through profit or loss	12,357	11,142	15,316	4,789	65	514	44,183
Derivative financial assets	—	—	—	—	—	8,838	8,838
Financial assets held under resale agreements	321,090	208,242	108,313	—	—	—	637,645
Loans and advances to customers	1,972,256	1,070,174	2,115,930	6,081	23,546	—	5,187,987
Available-for-sale financial assets	46,680	127,299	247,554	203,011	114,890	454	739,888
Held-to-maturity investments	68,198	75,501	237,180	374,235	289,550	—	1,044,664
Debt securities classified as receivables	563	66,721	6,743	20,250	612,263	7	706,547
Other financial assets	—	—	—	—	—	68,941	68,941
Total financial assets	4,806,624	1,588,015	2,774,358	783,527	1,040,867	268,351	11,261,742
Borrowings from central bank	—	—	—	—	—	(30)	(30)
Deposits from banks and other financial institutions	(324,681)	(12,786)	(32,119)	(253,638)	(13,232)	(421)	(636,877)
Placements from banks and other financial institutions	(38,627)	(25,094)	(8,745)	(442)	(123)	—	(73,031)
Financial liabilities held for trading	(271)	—	—	—	—	—	(271)
Financial liabilities designated as at fair value through profit or loss	(8,789)	(3,394)	(19,944)	(2,565)	(67)	(329)	(35,088)
Derivative financial liabilities	—	—	—	—	—	(10,879)	(10,879)
Financial assets sold under repurchase agreements	(14,558)	(17,438)	(34,649)	—	—	—	(66,645)
Due to customers	(6,243,136)	(668,360)	(2,100,276)	(571,770)	(1,879)	(121,166)	(9,706,587)
Debt securities issued	(2,263)	(6,440)	(12,647)	(22,714)	(74,930)	—	(118,994)
Other financial liabilities	—	—	—	—	—	(132,124)	(132,124)
Total financial liabilities	(6,632,325)	(733,512)	(2,208,380)	(851,129)	(90,231)	(264,949)	(10,780,526)
Interest rate gap	**(1,825,701)**	**854,503**	**565,978**	**(67,602)**	**950,636**	**3,402**	**481,216**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.3 Market risk (continued)

Interest rate risk (continued)

	As at 31 December 2010						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,730,122	—	—	174,000	—	178,210	2,082,332
Deposits with banks and other financial institutions	44,513	15,960	17,420	—	—	—	77,893
Placements with banks and other financial institutions	71,462	6,814	17,091	8	—	—	95,375
Financial assets held for trading	172	663	3,613	2,351	414	—	7,213
Financial assets designated as at fair value through profit or loss	4,288	15,146	20,676	2,703	67	164	43,044
Derivative financial assets	—	—	—	—	—	9,173	9,173
Financial assets held under resale agreements	330,030	119,049	76,252	—	—	—	525,331
Loans and advances to customers	1,632,585	1,103,850	2,028,329	4,402	18,842	—	4,788,008
Available-for-sale financial assets	25,505	60,946	271,688	193,951	111,977	4,436	668,503
Held-to-maturity investments	23,196	135,169	228,006	373,034	277,253	—	1,036,658
Debt securities classified as receivables	368	1,742	71,658	23,129	675,109	7	772,013
Other financial assets	—	—	—	—	—	45,200	45,200
Total financial assets	3,862,241	1,459,339	2,734,733	773,578	1,083,662	237,190	10,150,743
Borrowings from central bank	—	—	—	—	—	(30)	(30)
Deposits from banks and other financial institutions	(328,255)	(16,242)	(21,684)	(153,938)	(4,675)	(1,456)	(526,250)
Placements from banks and other financial institutions	(33,896)	(16,312)	(6,360)	—	(134)	—	(56,702)
Financial liabilities held for trading	(331)	—	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	(7,155)	(13,584)	(13,157)	(300)	—	(486)	(34,682)
Derivative financial liabilities	—	—	—	—	—	(12,378)	(12,378)
Financial assets sold under repurchase agreements	(32,172)	(3,466)	(1,829)	—	—	—	(37,467)
Due to customers	(5,850,212)	(700,430)	(1,771,843)	(450,034)	(1,551)	(113,835)	(8,887,905)
Debt securities issued	(2,949)	(4,336)	(8,486)	(21,594)	(24,979)	—	(62,344)
Other financial liabilities	—	—	—	—	—	(116,736)	(116,736)
Total financial liabilities	(6,254,970)	(754,370)	(1,823,359)	(625,866)	(31,339)	(244,921)	(9,734,825)
Interest rate gap	**(2,392,729)**	**704,969**	**911,374**	**147,712**	**1,052,323**	**(7,731)**	**415,918**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.3 Market risk (continued)

Interest rate risk (continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield curves on the Group's net interest income and equity, based on the Group's positions of interest-bearing assets and interest-bearing liabilities at the end of each reporting period.

	As at 30 June 2011		As at 30 June 2010	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(8,253)	(13,887)	(12,803)	(14,677)
-100 basis points	8,253	14,653	12,803	15,795

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and liabilities held at the period end remains unchanged.

The sensitivity analysis on equity is the effect of certain changes in interest rates on fair value changes on fixed rate available-for-sale financial assets held at the period end.

These assumptions do not represent the Group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the potential impact on net interest income and equity of the Group under different yield structures and current interest rate risk situation. The impact did not take into account the risk management procedures that management may take to mitigate the interest rate risk.

45. FINANCIAL RISK MANAGEMENT (continued)

45.4 Capital management

The Group's objectives on capital management are as follows:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- support the Group's stability and growth;

- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and

- maintain an adequate capital base to support the development of its business.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated liabilities included in the supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on and off-balance sheet total assets or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Group is fully compliant with these legal and regulatory requirements.

The on-balance sheet risk-weighted assets are measured based on different risk ratings that are determined according to the creditworthiness and security of the assets and counterparties. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach.

The Group computes the capital adequacy ratio based on Basel's guidelines and in accordance with "*The Decision of China Banking Regulatory Commission on Revising the Measures for the Management of Capital Adequacy Ratios of Commercial Banks*", "*Notice from China Banking Regulatory Commission on the Relevant Issues on Calculating the Capital Adequacy Ratio After Banks and Financial Institutions Implementing <Accounting Standards for Business Enterprises>*" and other related regulations promulgated by the CBRC. The Bank monitors the adequacy of capital and regulates the usage of capital on a timely basis. The Bank reports to CBRC information on capital every quarter.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.4 Capital management (continued)

	Notes	As at 30 June 2011	As at 31 December 2010
Core capital adequacy ratio	(1)	9.36%	9.75%
Capital adequacy ratio	(2)	11.91%	11.59%
Components of capital base			
Core capital:			
Share capital		324,794	324,794
Capital reserve		94,877	96,602
Surplus reserve and general reserve		81,978	75,577
Unappropriated profit		61,509	27,945
Non-controlling interests		177	165
		563,335	525,083
Supplementary capital:			
General provision		53,839	49,567
Long-term subordinated bonds		100,000	50,000
Cumulative gain in fair value		419	248
		154,258	99,815
Total capital base before deductions		717,593	624,898
Deductions:			
Equity investments which are not consolidated		528	484
Other deductible items		283	290
Total capital base after deductions		716,782	624,124
Risk-weighted assets and market risk capital adjustment	(3)	6,018,954	5,383,694

(1) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 50% of unconsolidated equity investments, by risk-weighted assets and market risk capital adjustment.

(2) Capital adequacy ratio is calculated by dividing the total capital base after deductions by risk-weighted assets and market risk capital adjustment.

(3) The amount of market risk capital adjustment equals to 12.5 times of the market risk capital.

(Amounts in millions of Renminbi, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions or dealer quotes for similar instruments;

- the fair value of derivative instrument is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option type of derivatives, and option pricing model is used for option type of derivatives; and

- the fair value of financial guarantee contract is determined using option pricing model where the main assumption is the probability of default by the specified counterparty and is extrapolated from market-based credit information and the amount of loss given default.

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

	As at 30 June 2011		As at 31 December 2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Loans and advances to customers	5,187,987	5,186,252	4,788,008	4,786,591
Held-to-maturity investments	1,044,664	1,025,698	1,036,658	1,026,479
Debt securities classified as receivables	706,547	705,842	772,013	771,717
	6,939,198	6,917,792	6,596,679	6,584,787
Financial liabilities				
Deposits from banks and other financial institutions	636,877	636,981	526,250	526,517
Due to customers	9,706,587	9,704,576	8,887,905	8,887,474
Subordinated bonds issued	99,916	95,390	49,962	47,183
	10,443,380	10,436,947	9,464,117	9,461,174

(Amounts in millions of Renminbi, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following tables provide an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels based on the degree to which the fair values are 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); and
- 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 (i.e. unobservable inputs).

	As at 30 June 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	398	11,076	—	11,474
Financial assets designated as at fair value through profit or loss	6,829	9,596	27,758	44,183
Available-for-sale financial assets	26,318	711,141	2,188	739,647
Derivative financial assets	4	4,324	4,510	8,838
Total assets	33,549	736,137	34,456	804,142
Financial liabilities held for trading	(271)	—	—	(271)
Financial liabilities designated as at fair value through profit or loss	(305)	—	(34,783)	(35,088)
Derivative financial liabilities	(26)	(4,181)	(6,672)	(10,879)
Total liabilities	(602)	(4,181)	(41,455)	(46,238)

	As at 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	120	7,093	—	7,213
Financial assets designated as at fair value through profit or loss	4,771	6,247	32,026	43,044
Available-for-sale financial assets	24,067	642,245	1,969	668,281
Derivative financial assets	6	3,845	5,322	9,173
Total assets	28,964	659,430	39,317	727,711
Financial liabilities held for trading	(331)	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	(341)	(34,341)	(34,682)
Derivative financial liabilities	(23)	(3,990)	(8,365)	(12,378)
Total liabilities	(354)	(4,331)	(42,706)	(47,391)

(Amounts in millions of Renminbi, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities is as follows:

	Six months ended 30 June 2011			
	Financial assets designated as at fair value through profit or loss	**Available-for-sale financial assets**	**Derivatives financial instruments, net**	**Financial liabilities designated as at fair value through profit or loss**
As at 1 January 2011	32,026	1,969	(3,043)	(34,341)
Recognised in				
— Profit	20	11	787	34
— Other comprehensive income	—	(5)	—	—
Purchases/issues	(2,462)	862	—	(26,774)
Settlements	(251)	(649)	94	26,298
Transfers out of Level 3	(1,575)	—	—	—
As at 30 June 2011	**27,758**	**2,188**	**(2,162)**	**(34,783)**
Total gain for the period for assets/ liabilities held as at 30 June 2011				
Included in the profit or loss	34	11	787	117
Included in the other comprehensive income	—	(5)	—	—

(Amounts in millions of Renminbi, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2010			
	Financial assets designated as at fair value through profit or loss	**Available-for-sale financial assets**	**Derivatives financial instruments, net**	**Financial liabilities designated as at fair value through profit or loss**
As at 1 January 2010	55,657	1,631	(2,977)	(111,821)
Recognised in				
— Profit/(loss)	581	61	(96)	(236)
— Other comprehensive income	—	25	—	—
Purchases/issues	47,127	252	—	(200,683)
Settlements	(71,174)	—	30	278,399
Transfers out of Level 3	(165)	—	—	—
As at 31 December 2010	**32,026**	**1,969**	**(3,043)**	**(34,341)**
Total gain for the year for assets/ liabilities held as at 31 December 2010				
Included in the profit or loss	288	60	(229)	133
Included in the other comprehensive income	—	25	—	—

According to Hong Kong Listing Rule and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1. Liquidity ratios

	As at 30 June 2011	As at 31 December 2010
RMB current assets to RMB current liabilities	42.44%	38.36%
Foreign currency current assets to foreign currency current liabilities	115.82%	127.03%

Liquidity ratio is calculated in accordance with the relevant provisions of the PBOC and the CBRC, and based on the data determined under the PRC GAAP.

2. Currency concentrations

	Equivalent in millions of Renminbi			
	USD	HKD	Other	Total
As at 30 June 2011				
Spot assets	80,066	213	2,310	82,589
Spot liabilities	58,606	12,611	11,148	82,365
Forward purchases	299,308	19,554	36,236	355,098
Forward sales	(125,185)	(9,599)	(30,798)	(165,582)
Net long position	312,795	22,779	18,896	354,470
Net structural position	**—**	**11**	**—**	**11**

	Equivalent in millions of Renminbi			
	USD	HKD	Other	Total
As at 31 December 2010				
Spot assets	284,571	83,316	17,402	385,289
Spot liabilities	(250,047)	(81,741)	(12,716)	(344,504)
Forward purchases	340,211	16,316	32,112	388,639
Forward sales	(296,623)	(11,869)	(39,741)	(348,233)
Net long/(short) position	78,112	6,022	(2,943)	81,191
Net structural position	**(34,939)**	**205**	**(44)**	**(34,778)**

3. Cross-border claims

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

Cross-border claims include balances with central banks, deposits and placements with banks and other financial institutions, financial assets held for trading, financial assets designated as at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

(Amounts in millions of Renminbi, unless otherwise stated)

3. Cross-border claims (continued)

Cross-border claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of 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 and other financial institutions	Public sector entities	Others	Total
As at 30 June 2011				
Asia Pacific excluding Mainland China	126,366	106,448	92,819	325,633
— of which attributed to Hong Kong	1,739	91,409	1,921	95,069
Europe	11,842	4,775	69	16,686
North and South America	50,799	11,602	1,921	64,322
Africa	—	77	19	96
Total	**189,007**	**122,902**	**94,828**	**406,737**

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2010				
Asia Pacific excluding Mainland China	27,444	300	22,013	49,757
— of which attributed to Hong Kong	4,275	73	9,191	13,539
Europe	31,940	2,465	1,472	35,877
North and South America	34,925	12,559	144	47,628
Africa	—	78	149	227
Total	**94,309**	**15,402**	**23,778**	**133,489**

(Amounts in millions of Renminbi, unless otherwise stated)

4. Overdue assets

(1) Gross amount of overdue loans and advances to customers

	As at 30 June 2011	As at 31 December 2010
Overdue		
below 3 months	23,908	21,172
between 3 and 6 months	3,710	3,841
between 6 and 12 months	4,531	6,186
over 12 months	40,737	44,545
Total	**72,886**	**75,744**
Percentage		
below 3 months	32.80%	27.95%
between 3 and 6 months	5.09%	5.07%
between 6 and 12 months	6.22%	8.17%
over 12 months	55.89%	58.81%
Total	**100.0%**	**100.00%**

(2) Gross amount of overdue placements with banks and other financial institutions

The gross amount of the Group's overdue placements with banks and other financial institutions as at 30 June 2011 and 31 December 2010 are not material.

1.	ABC/We/the Bank/the Group/ Agricultural Bank of China	Agricultural Bank of China Limited or its predecessor
2.	Basel III	The banking industry supervision documents promulgated by Basel Committee on Banking Supervision in December 2010
3.	Basis Point	A unit measure related to the change in an interest rate or exchange rate, which is equal to 0.01%
4.	Board	The board of directors of the Bank
5.	CASs	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations
6.	CBRC	China Banking Regulatory Commission
7.	County Area	Areas designated as counties or county-level cities under China's administrative division system, excluding municipal districts
8.	County Area Banking Business	We provide customers in the County Area with a broad range of financial products and services through our branch outlets located in 2,004 counties and county-level cities in China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
9.	County Area Banking Division	An internal functional department of the Bank established in accordance with the requirements of restructuring state-owned commercial banks into shareholding enterprises. The department focuses on the operation of the County Area Banking Business with independent governance, operational decision making, financial accounting as well as incentives and restrictions systems
10.	CSRC	China Securities Regulatory Commission
11.	Duration	An approach employed to measure the average term of cash flows of debt securities, mainly reflecting the sensitivity of debt securities to interest rate movements
12.	Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
13.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
14.	Huijin	Central Huijin Investment Ltd.

15.	Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
16.	LIBOR	London Inter Bank Offered Rate (normally overnight to one year)
17.	MOF	The Ministry of Finance of the People's Republic of China
18.	PBOC	The People's Bank of China
19.	QDII	Qualified Domestic Institutional Investors
20.	Sannong	Agriculture, rural areas and farmers
21.	SHIBOR	Shanghai Interbank Offered Rate issued by National Interbank Funding Center since 4 January 2007
22.	SSF	National Council for Social Security Fund of the People's Republic of China
23.	State Council	The State Council of the People's Republic of China
24.	Subordinated Bonds	Bonds issued by commercial bank which rank after other equity capital and other debt. Subordinated Bonds fulfilling the conditions can be classified into supplementary capital
25.	The New Basel Capital Accord/ Basel II	The revised Basel Framework promulgated by Basel Committee on Banking Supervision on 26 June 2004

Designed and Printed: RR DONNELLEY ROMAN FINANCIAL

中国农业银行
AGRICULTURAL BANK OF CHINA

Add : No. 69, Jianguomen Nei Avenue,
Dongcheng District, Beijing, P.R. China
P.C : 100005
Tel : 8610－85108888

http://www.abchina.com