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

2012 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	JIANG Chaoliang
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, 100005, PRC
Internet website	www.abchina.com
Principal place of business in Hong Kong	23/F, Tower I, Admiralty Center, No. 18 Harcourt Road, Hong Kong
Selected newspaper for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of 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 of Directors of the Bank

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: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)
Date of registration modification and registration authority	21 February 2012 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 Mallesons 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 data and indicators recorded in this interim report are prepared in accordance with International Financial Reporting Standards ("IFRSs") and denominated in RMB).

The consolidated financial information of the Group for the six months ended 30 June 2012 is set out below:

Major Financial Data

	30 June 2012	31 December 2011	31 December 2010
AT THE END OF THE REPORTING PERIOD			
(in millions of RMB)			
Total assets	12,901,412	11,677,577	10,337,406
Loans and advances to customers, net	5,829,740	5,398,863	4,788,008
Investment in securities and other financial assets, net	2,717,194	2,628,052	2,527,431
Total liabilities	12,209,586	11,027,789	9,795,170
Deposits from customers	10,604,586	9,622,026	8,887,905
Equity attributable to equity holders of the Bank	691,464	649,601	542,071

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
INTERIM OPERATING RESULTS			
(in millions of RMB)			
Net interest income	167,685	144,730	307,199
Net fee and commission income	38,929	37,136	68,750
Operating expenses	84,006	71,273	157,330
Impairment losses on assets	22,772	27,697	64,225
Net profit	80,522	66,679	121,956
Net profit attributable to equity holders of the Bank	80,499	66,667	121,927
Net cash generated from operating activities	509,136	381,494	223,004

Financial Indicators

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
PROFITABILITY (%)			
Return on average total assets[1]	1.31*	1.22*	1.11
Return on weighted average net assets[2]	23.26*	23.56*	20.46
Net interest margin[3]	2.85*	2.79*	2.85
Net interest spread[4]	2.71*	2.70*	2.73
Return on risk-weighted assets[5]	2.37*	2.22*	1.91
Net fee and commission income to operating income	18.47	20.11	18.10
Cost-to-income ratio[6]	33.91	33.08	35.84
DATA PER SHARE (RMB Yuan)			
Basic earnings per share[2]	0.25	0.21	0.38
Net cash per share generated from operating activities	1.57	1.17	0.69

	30 June 2012	31 December 2011	31 December 2010
ASSET QUALITY (%)			
Non-performing loan ratio[7]	1.39	1.55	2.03
Allowance to non-performing loans ratio[8]	296.26	263.10	168.05
Allowance to total loans ratio[9]	4.12	4.08	3.40
CAPITAL ADEQUACY (%)			
Core capital adequacy ratio[10]	9.65	9.50	9.75
Capital adequacy ratio[10]	12.02	11.94	11.59
Total equity to total assets ratio	5.36	5.56	5.25
Risk-weighted assets to total assets ratio	52.78	54.71	52.08
DATA PER SHARE (RMB Yuan)			
Net assets per share attributable to equity holders of the Bank	2.13	2.00	1.67

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. The Bank has no diluted potential ordinary shares.*
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 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 2012	31 December 2011	31 December 2010
Liquidity ratio (%)[1]	RMB	≥25	43.65	40.18	38.36
	Foreign Currency	≥25	201.47	154.66	127.03
Loan-to-deposit ratio (%)[2]	RMB and Foreign Currency	≤75	57.33	58.50	55.77
Percentage of loans to the largest single customer (%)[3]		≤10	2.96	2.80	3.18
Percentage of loans to top ten customers (%)[4]			16.32	16.31	18.45
Loan migration ratio (%)[5]	Normal		1.40	2.26	3.10
	Special mention		2.24	2.61	4.15
	Substandard		14.28	14.82	24.34
	Doubtful		3.45	5.41	5.26

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 loans and advances to customers by 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 first half of 2012, adhering to the philosophy of prudent operation and coping with the challenges of the ever-changing internal and external environments, we achieved steady progress, stable operation and growth of our operational results. During the reporting period, we achieved a net profit of RMB80,522 million, representing an increase of 20.8% compared to the same period of the previous year. Our annualized return on average total assets and annualized return on weighted average net assets were 1.31% and 23.26%, respectively.

It has been two years since our initial public offering and stepping into the capital markets. During these two years, our profitability has increased steadily and we have continued to optimize our operational structure and to enhance the quality of our assets. In addition, we have continued to maintain our traditional advantages in the areas of branch networks, retail deposits, net interest margin and our County Area Banking Business. We have fulfilled our commitment to investors made during our initial public offering and have realized steady growth and significant investment value. Taking the restructuring and listing as our new starting point, we have moved forward to develop as a first-class commercial bank.

At present, the banking industry in China is facing complex and challenging internal and external situations. In view of macroeconomic circumstances, the European sovereign-debt crisis is worsening and the recovery of global economy is slowing down. As a result of periodic and structural factors, the Chinese economy is also facing downward pressures. As a procyclical industry, the operation and financial position of commercial banks are subject to the fluctuations of economic cycles. In view of regulatory policy environment, marketization reforms of China's financial markets have accelerated and commercial banks are being challenged by intensifying competition and risk exposure. Tighter capital constraints, as a result of the implementation of the new regulatory measurements for capital, will force commercial banks to transform their development mode and adjust their operational structure.

In the face of ever-changing and challenging market conditions, we will adhere to the philosophy of maximizing our shareholders' value, our development strategy and a strict approach to risk limitation, and accelerate the restructuring and transformation of our operations, with the aim of achieving sustainable business development and steady value growth.

Firstly, we will continue to promote the development philosophy of modern commercial banks. We will carry out our work in accordance with the operational philosophies, institutional arrangements and operational standards of modern commercial banks, meeting the targets and requirements of modern corporate governance, capital constraints and risk management. We will endeavor to strengthen our management capability, operation quality, core competitiveness and market reputation whilst improving the quality, efficiency and stability of our development.

Secondly, we will implement our development strategies unswervingly in order to further consolidate our competitive advantages. The strategies of catering to the needs of Sannong, developing synergies between the Urban Areas and County Areas, expanding into the international market and providing diversified services all match our heritage, internal situation and comparative advantages, and shape our core competitive advantages. We will improve the effectiveness of strategy transmission and consistency of strategy implementation by establishing effective supervision and counterbalance mechanism as well as incentive and constrain mechanism. Moreover, we will clarify our market position of serving Sannong, enhance the overall design of the financial service model for the County Area Banking Business and fully capitalize on the competitive advantages from the synergies between the Urban Areas and County Areas.

Thirdly, we will continue to target the maximization of our shareholders' value, which is the foundation of modern corporate governance and measured by ROE level. Through the strengthening of key financial growth drivers such as credit growth and revenue from fee- and commission-based business, we will consolidate the advantage of our net interest margin, control management costs and improve operational efficiency to create continuous growth of our operational results and shareholders' return.

Lastly, we will strengthen our risk controls and adhere to risk limitation. Competition among banks primarily depends on their risk management capability. We will continue to establish a comprehensive risk management system in terms of culture, policies and tools. We will also refine risk and incident reporting policies, accountability policies and risk evaluation policies. Furthermore, we will enhance industry-specific risk management and develop plans to cope with risks of key industries, and adhere to risk limitation to strengthen our capability for sustainable development.

Chairman: JIANG Chaoliang
29 August 2012

In the first half of 2012, we adhered to our philosophy of prudent operation and our prudent approach of steady development in face of the complex and challenging economic and financial environments. We adopted a series of effective measures for maintaining growth, adjusting structure, controlling risk and consolidating basics. As such, we maintained the healthy and efficient development of various business segments.

Balancing Business Development and Enhancing Comprehensive Strength. As at the end of June 2012, our total assets reached RMB12.9 trillion, representing an increase of 10.5% compared to the end of the previous year. Our deposits and loans increased by RMB982,560 million and RMB451,399 million over the end of the previous year, and the increments of deposits and loans increased by RMB163,878 million and RMB24,227 million over the same period of last year, respectively. While the costs of our liabilities were increasing, we recorded a net interest margin of 2.85%, representing an increase of 6 basis points over the same period of the previous year. Net profit amounted to RMB80,522 million, representing an increase of 20.8% over the same period of the previous year. Our annualized return on average total assets increased by 0.09 percentage point over the same period of the previous year, demonstrating our enhanced profitability. In *Fortune's* Global 500 of 2012, we ranked the 84th, moving up from the 127th of the previous year.

Optimizing Credit Structure and Maintaining Stability of Overall Asset Quality. In the first half of the year, we continued to comply with the government's "Maintaining Growth" policy. We also exerted efforts in exploring and developing new credit growth points and optimizing our credit structure. As at the end of June 2012, the proportion of loans to high quality medium and large corporate customers increased by 1.6 percentage points compared to the end of the previous year. The growth of loans to customers in the central and western regions, County Areas and loans to small- and micro-sized enterprises were 0.6, 1.7 and 3.9 percentage points higher than the average level of the Bank, respectively. The growth in loans to industries with high energy consumption, high pollution or overcapacity continued to decrease, and loans to corporate real estate continued to decline. Furthermore, we actively resolved potential risks in major areas and imposed stringent risk limitation. Non-performing loans and non-performing loan ratio decreased by RMB2,850 million and 0.16 percentage point, respectively, compared to the end of the previous year. Our ability to withstand risks was strengthened as the allowance to non-performing loans ratio and the allowance to total loans ratio amounted to 296.26% and 4.12%, respectively.

Coordinated Development in Urban and County Area Markets and Significant Strategic Achievements by Boosting Synergistic Strengths. In the first half of the year, we completed trial operations of new branch outlets under reforms to the County Area Banking Division. Kins Huinongtong project, one of the basic financial services in the rural areas, made significant progress. The coverage of automatic teller machines in the administrative villages of China reached 44% and over 110 million Huinong Cards were issued. Loans to County Areas increased by RMB170,427 million over the end of previous year, the growth of which was 1.7 percentage points higher than the average level of the Bank. In addition, with the steady acceleration of our urban business development, the synergies between the Urban Areas and County Areas markets were further strengthened in respects of customers, products, services and so on. In the first half of the year, the proportion of deposit increments of 50 branches in major cities further increased while the growth of pre-provision operating profit was higher than that of the Bank.

Expediting Product and Service Innovations and Extending Functions of Services. We continuously devoted efforts to our transformation and innovations to improve the functions and efficiency of our service. Our businesses were steadily diversified and integrated. In the first half of the year, the transformation of our retail business made breakthroughs by channel development and branch outlet transformation. Electronic transactions accounted for 64% of the total transactions. Our fee- and commission-based business was developed in compliance with regulation and in an innovative manner. Income from emerging fee- and commission-based businesses, such as wealth management, credit cards, domestic factoring and financial institution agency services, recorded substantial growth. Our financial markets business grew rapidly and international and integrated operations made significant progress.

Strengthening the Basics of Management and Improving Management Efficiency. We continued to implement the "Year for Further Improvement of the Basics of Management" to refine the sophisticated management in five major areas, namely credit management, finance and accounting, operation management, information technology and employee behavior. Our centralized back office operation, centralized authorization and centralized monitoring systems achieved remarkable results, with the coverage rate of 82%, 100% and 95%, respectively, excluding the Tibet branch, and were fully adopted in 25 branches. The implementation of "3 targets and 3 strict rules" in branch outlets was progressing smoothly. The efficiency of technology and product research and development was enhanced and certain businesses of our new-generation core business system (BoEing) will be launched soon.

In the second half of the year, our business will face even more complex and stern challenges. We will adhere to our yearly business targets and continue to implement our prudent approach of steady development. We will attach greater importance to maintaining business growth and strictly adhere to risk limitation. Meanwhile, we will adapt to changes in the operating environment, market structure and the regulatory requirements of banking industry, proactively cope with the challenges arising from the liberalization of interest rates and the implementation of the New Basel Capital Accord. We will also expedite structural adjustments and business transformation and strengthen the development of the internal basics of management to strive for overall, coordinated and sustainable development.

President: ZHANG Yun
29 August 2012

Environment and Prospects

The impetus of global economic growth continued being weakened in 2012 and the economic recovery tended to be uncertain. The US economy maintained its sluggish recovery, and the growth rate of which was slowed down for two consecutive quarters. The worsening European debt crisis imposed the threat of double-dip recession on the eurozone. In Japan, the post-disaster reconstruction brought new vitality to the economy for bottoming out. The slowdown of the growth momentum of emerging economies in general mitigated their inflation pressure while certain countries encountered increasing short-term capital flow-out pressure. The global monetary policies have entered an easing stage, where major developed countries maintained low benchmark interest rates and emerging economies cut benchmark interest rates.

The global financial markets were volatile in the first half of 2012. In particular, the lingering Euro crisis sparked by the Greek legislative election in May has resulted in risk aversion in global markets and the significant appreciation of the US dollar. At the end of June, the US Dollar Index rose by 1.70% compared to the end of the previous year, whereas Euro depreciated by 2.25% against the US dollar compared to the end of the previous year. The interest risk premium of major financial markets reduced. Driven by the demand for risk aversion, the yields of treasury bonds of high-rated countries continued to decrease. The upward track of major global stock markets in the beginning of the year subsequently turned downward. In the first half of 2012, Dow Jones Industrial Average Index, EURO STOXX50 Index and Nikkei 225 Index increased by 5.42%, 0.48% and 6.52%, respectively.

In the first half of 2012, the Chinese economy remained stable and key economic indicators were within the expected growth range under macro control, while the downward pressure is relatively strong. In the first half of 2012, China's GDP amounted to RMB22,709,800 million, representing an increase of 7.8% over the same period of the previous year, in which, increases of 8.1% and 7.6% were recorded in the first and second quarters, respectively. The economic growth has been weakened for the five consecutive quarters and fell below 8% for the first time in the past three years. Influenced by the tightened monetary policies and weakening economic growth, the inflation pressure was eased gradually. In the first half of the year, the Consumer Price Index increased by 3.3% over the same period of the previous year, representing a decrease of 0.5 and 2.1 percentage points compared to the first quarter and the same period of the previous year, respectively.

Facing the severe and complicated domestic and international economic environment, the Chinese government continued to implement proactive fiscal policies and prudent monetary policies, put more emphasis on maintaining steady growth and strengthened efforts in economic restructuring. The PBOC lowered benchmark deposit and loan interest rates once and reduced the statutory deposit reserve ratio twice in the first half of 2012. With accelerated liberalization of interest rate, the upper limit of the floating range of deposit interest rates was relaxed to 1.1 times of the benchmark interest rate. The RMB exchange rate formation mechanism was further improved with obvious two-way fluctuations. The CBRC promulgated the *Regulation Governing Capital of Commercial Banks (Provisional)*, marking the final establishment of capital regulatory framework of China's banking industry.

Currently, the operating environment of China's banking industry is undergoing rapid changes, such as the downward pressure for economy, the accelerated marketization reform of financial markets and tightened capital regulation. Commercial banks are encountering various challenges, such as intense competition, narrow interest spread between deposits and loans, insufficient demand for loans, increased asset risk, keen competition in the deposit business, and increased pressure for capital replenishment. In the second half of 2012, we will rationally respond to the changes of the economy, regulation and competition. We will fully implement our operation philosophy of capital constraint and further increase our efforts in market promotion and product innovation. We will also strengthen our risk management on industries and customers of cyclical nature and strive to optimize our business structure and to transform and upgrade our business model. We will provide better financial services for the real economy while striving to maintain healthy business development and steady growth of operating results.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2012, we generated a net profit of RMB80,522 million, representing an increase of RMB13,843 million or 20.8% compared to the same period of the previous year. This was primarily due to the increase in net interest income, which was partly offset by the increase in operating expenses and income tax expense.

Changes in Key Items of Income Statement

In millions of RMB, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Net interest income	167,685	144,730	22,955	15.9
Net fee and commission income	38,929	37,136	1,793	4.8
Other non-interest income	4,166	2,767	1,399	50.6
Operating income	**210,780**	**184,633**	**26,147**	**14.2**
Less: Operating expenses	84,006	71,273	12,733	17.9
Impairment losses on assets	22,772	27,697	(4,925)	-17.8
Profit before tax	104,002	85,663	18,339	21.4
Less: Income tax expense	23,480	18,984	4,496	23.7
Net profit	**80,522**	**66,679**	**13,843**	**20.8**
Attributable to:				
Equity holders of the Bank	80,499	66,667	13,832	20.7
Non-controlling interests	23	12	11	91.7

Net Interest Income

Net interest income was the largest component of operating income, and accounted for 79.6% of our operating income in the first half of 2012. In the first half of 2012, net interest income was RMB167,685 million, representing an increase of RMB22,955 million compared to the same period of the previous year. Expansion in volume and changes in interest rates increased net interest income by RMB18,933 million and RMB4,022 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 2012			Six months ended 30 June 2011		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income/ expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	5,849,832	190,256	6.54	5,182,655	148,725	5.79
Debt securities investments[1]	2,636,141	48,051	3.67	2,508,059	39,669	3.19
Non-restructuring-related debt securities	2,094,743	39,528	3.79	1,886,549	29,969	3.20
Restructuring-related debt securities[2]	541,398	8,523	3.17	621,510	9,700	3.15
Balances with central banks	2,371,143	21,421	1.82	2,092,161	16,540	1.59
Amounts due from banks and other financial institutions[3]	971,090	18,529	3.84	659,415	12,018	3.68
Total interest-earning assets	**11,828,206**	**278,257**	**4.73**	**10,442,290**	**216,952**	**4.19**
Allowance for impairment losses[4]	(241,431)			(182,491)		
Non-interest-earning assets[4]	526,113			465,342		
Total assets	12,112,888			10,725,141		
Liabilities						
Deposits from customers	9,939,946	92,462	1.87	8,915,817	62,560	1.41
Amounts due to banks and other financial institutions[5]	940,447	15,613	3.34	768,124	8,525	2.24
Other interest-bearing liabilities[6]	127,885	2,497	3.93	67,467	1,137	3.40
Total interest-bearing liabilities	**11,008,278**	**110,572**	**2.02**	**9,751,408**	**72,222**	**1.49**
Non-interest-bearing liabilities[4]	465,992			359,293		
Total liabilities	11,474,270			10,110,701		
Net interest income		**167,685**			**144,730**	
Net interest spread			**2.71**			**2.70**
Net interest margin			**2.85**			**2.79**

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	21,699	19,832	41,531
Debt securities investments	2,335	6,047	8,382
Balances with central banks	2,520	2,361	4,881
Amounts due from banks and other financial institutions	5,947	564	6,511
Changes in interest income	32,501	28,804	61,305
Liabilities			
Deposits from customers	9,527	20,375	29,902
Amounts due to banks and other financial institutions	2,861	4,227	7,088
Other interest-bearing liabilities	1,180	180	1,360
Changes in interest expense	13,568	24,782	38,350
Changes in net interest income	**18,933**	**4,022**	**22,955**

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 2012, the net interest margin increased by 6 basis points to 2.85% compared to the same period of the previous year; and the net interest spread increased by 1 basis point to 2.71% compared to the same period of the previous year. Increases in net interest margin and net interest spread were primarily due to the following reasons: (1) the increase in yield of existing and newly-acquired non-restructuring-related debt securities compared to the same period of the previous year; and (2) deposits and loans repriced and newly-made adopted higher interest rates after the last round of raising the benchmark interest rates by the PBOC, and the increase in the average yield of loans basically covered the increase in the average cost of deposits by strengthening the management of loan pricing.

Interest Income

We achieved an interest income of RMB278,257 million in the first half of 2012, representing an increase of RMB61,305 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 RMB41,531 million or 27.9% over the same period of the previous year to RMB190,256 million. The increase of interest income was primarily due to the increase of RMB667,177 million in the average balance and the increase of 75 basis points in the 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

Item	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Average balance	Interest income	Average yield[1] (%)	Average balance	Interest income	Average yield[1] (%)
Corporate loans	4,134,592	137,219	6.67	3,766,724	110,885	5.94
Short-term corporate loans	1,813,958	60,377	6.69	1,522,991	45,033	5.96
Medium- and long-term corporate loans	2,320,634	76,842	6.66	2,243,733	65,852	5.92
Discounted bills	117,172	4,739	8.13	105,645	2,777	5.30
Retail loans	1,479,294	46,747	6.35	1,231,971	34,113	5.58
Overseas and others	118,774	1,551	2.63	78,315	950	2.45
Total loans and advances to customers	**5,849,832**	**190,256**	**6.54**	**5,182,655**	**148,725**	**5.79**

Note: 1. Calculated on an annualized basis.

Interest income from corporate loans increased by RMB26,334 million or 23.7% to RMB137,219 million compared to the same period of the previous year. The increase was primarily due to the increase of 73 basis points in the average yield and the increase of RMB367,868 million in the average balance. The increase in the average yield was mainly due to the following reasons: (1) loans repriced and newly-made adopted higher interest rates after the last round of raising the benchmark interest rates by the PBOC; and (2) higher interest premium by continuously refining loan structure and strengthening the management of loan pricing.

Interest income from discounted bills increased by RMB1,962 million or 70.7% to RMB4,739 million compared to the same period of the previous year. The increase was primarily due to the increase of 283 basis points in the average yield and the increase of RMB11,527 million in the average balance. The increase in the average yield was mainly due to the increase in the interest rate of the discounted bill market compared to the same period of the previous year.

Interest income from retail loans increased by RMB12,634 million or 37.0% to RMB46,747 million compared to the same period of the previous year. The increase was primarily due to the increase of 77 basis points in the average yield and the increase of RMB247,323 million in the average balance. The increase in the average yield was primarily due to: (1) higher interest rates of newly-made loans after the last round of raising the benchmark interest rates by the PBOC; and (2) the repricing of most of the existing residential mortgage loans at the beginning of 2012.

Interest income from overseas and other loans increased by RMB601 million or 63.3% to RMB1,551 million compared to the same period of the previous year. The increase was mainly due to the increase of RMB40,459 million in the average balance and the increase of 18 basis points in the 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 2012, the interest income from debt securities investments increased by RMB8,382 million over the same period of the previous year to RMB48,051 million. The increase was primarily due to the increase of 48 basis points in the average yield and the increase of RMB128,082 million in the average balance. The increase in the average yield was mainly due to (1) increased yield of debt securities as affected by monetary policies and market liquidity; (2) optimization of the portfolio of non-restructuring-related debt securities by increasing investments in bonds issued by policy banks, other financial institutions and corporations with better risk and return combination; and (3) the MOF's successive repayment of part of our MOF receivables which lowered the proportion of restructuring-related debt securities with relatively low yield.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB4,881 million to RMB21,421 million compared to the same period of the previous year, mainly due to the increase of RMB278,982 million in the average balance and the increase of 23 basis points in the average yield. The increase in the average balance was primarily due to the increase in deposits from customers.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB6,511 million to RMB18,529 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB311,675 million in the average balance and the increase of 16 basis points in the average yield. The increase in the average yield was mainly because we seized the opportunities of market and raised the average yield of amounts due from banks and other financial institutions.

Interest Expenses

Interest expenses increased by RMB38,350 million to RMB110,572 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB1,256,870 million in the average balance and the increase of 53 basis points in the average cost to 2.02%.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB29,902 million to RMB92,462 million compared to the same period of the previous year. The increase was mainly due to the increase of 46 basis points in the average cost to 1.87% and the increase of RMB1,024,129 million in the average balance. The increase in the average cost was primarily due to: (1) the higher interest rate of deposits newly taken from customers after the last round of raising the benchmark interest rates by the PBOC; (2) the increase in the proportion of time deposits due to the expectation of interest rates reduction.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

Item	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Average balance	Interest expense	Average cost[1] (%)	Average balance	Interest expense	Average cost[1] (%)
Corporate deposits						
Time	1,350,251	23,047	3.43	978,516	14,097	2.91
Demand	2,588,273	10,056	0.78	2,641,851	8,378	0.64
Sub-total	3,938,524	33,103	1.69	3,620,367	22,475	1.25
Retail deposits						
Time	3,156,137	52,344	3.34	2,747,338	33,789	2.48
Demand	2,845,285	7,015	0.50	2,548,112	6,296	0.50
Sub-total	6,001,422	59,359	1.99	5,295,450	40,085	1.53
Total deposits from customers	**9,939,946**	**92,462**	**1.87**	**8,915,817**	**62,560**	**1.41**

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 RMB7,088 million to RMB15,613 million compared to the same period of the previous year. The increase was primarily due to the increase of 110 basis points in the average cost to 3.34% and the increase of RMB172,323 million in the average balance. The increase of the average cost was mainly due to (1) the overall interest rate of money market remained relatively high while the periodical liquidity adequacy and the periodical liquidity strain of the RMB market appeared alternately; (2) the proportion of the average balance of amounts due to banks and other financial institutions with relatively low average cost decreased.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB1,360 million to RMB2,497 million compared to the same period of the previous year, mainly due to the increase in the average balance by RMB60,418 million and the increase of 53 basis points in the average cost to 3.93%. The increase in the average balance was mainly due to the RMB50 billion subordinated bonds newly issued in June 2011. The increase in the average cost was mainly due to repricing of the subordinated bonds previously issued with floating interest rate and the relatively higher interest rate for the subordinated bonds newly issued.

Net Fee and Commission Income

In the first half of 2012, we generated net fee and commission income of RMB38,929 million, representing an increase of RMB1,793 million or 4.8% compared to the same period of the previous year. The proportion of net fee and commission income in our operating income was 18.47%, representing a decrease of 1.64 percentage points compared to the same period of the previous year. During the reporting period, we further regulated our operation in accordance with the regulatory requirements, strengthened the transparency of service pricing and enhanced the quality and level of our customer services to improve the satisfaction and experience of customers. We proactively responded to the changes of regulatory policies and market environment, enhanced the services for the real economy based on customers' demands and explored new source of growth to realize sound and sustainable development of fee- and commission-based business while providing excellent services and maximizing value for customers.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	9,912	9,620	292	3.0
Agency commission	9,715	7,059	2,656	37.6
Consultancy and advisory fees	8,874	12,736	(3,862)	-30.3
Bank card fees	6,974	4,554	2,420	53.1
Electronic banking service fees	2,528	1,932	596	30.8
Credit commitment fees	1,194	1,424	(230)	-16.2
Custodian and other fiduciary service fees	722	541	181	33.5
Others	227	310	(83)	-26.8
Fee and commission income	**40,146**	**38,176**	**1,970**	**5.2**
Less: Fee and commission expenses	1,217	1,040	177	17.0
Net fee and commission income	**38,929**	**37,136**	**1,793**	**4.8**

Settlement and clearing fees increased by RMB292 million or 3.0% to RMB9,912 million compared to the same period of the previous year. The increase was mainly due to the steady increase in fee income from settlements boosted by the optimization of network channels, increase of self-service devices and the development and promotion of emerging products such as cash management.

Agency commission income increased by RMB2,656 million or 37.6% to RMB9,715 million compared to the same period of the previous year. The increase was mainly due to the increase in the income from financial institution agency services and disposal of non-performing assets for the MOF.

Consultancy and advisory fees decreased by RMB3,862 million or 30.3% to RMB8,874 million compared to the same period of the previous year. The decrease was mainly due to the decrease in the income from investment banking businesses such as financial advisory services.

Bank card fees increased by RMB2,420 million or 53.1% to RMB6,974 million compared to the same period of the previous year. The increase was mainly due to the increase in the income from credit card instalment business.

Electronic banking service fees increased by RMB596 million or 30.8% to RMB2,528 million compared to the same period of the previous year. The increase was mainly attributable to expedited construction of electronic banking channels and promotion of electronic channel services, which resulted in the increase in the income from Internet banking and mobile banking businesses.

Credit commitment fees decreased by RMB230 million or 16.2% to RMB1,194 million compared to the same period of the previous year. The decrease was mainly due to the decrease in income from guarantee and credit commitment businesses under the changes in macroeconomic environment and supply and demand of credit.

Custodian and other fiduciary service fees increased by RMB181 million or 33.5% to RMB722 million compared to the same period of the previous year. The increase was mainly due to the increase in income from wealth management business, insurance business and receipt and payment custody business with increased types and scale of assets under custody.

Other Non-interest Income

In the first half of 2012, other non-interest income amounted to RMB4,166 million, representing an increase of RMB1,399 million over the same period of the previous year.

Net trading gain amounted to RMB1,681 million, representing an increase of RMB1,021 million over the same period of the previous year. The increase was mainly due to the increase in investment gain from derivative financial instruments.

Composition of Other Non-Interest Income

In millions of RMB

Item	Six months ended 30 June 2012	Six months ended 30 June 2011
Net trading gain	1,681	660
Net (loss)/gain on the financial instruments designated as at fair value through profit or loss	(125)	32
Net gain/(loss) on securities investments	39	(99)
Net income from other operations	2,571	2,174
Total	**4,166**	**2,767**

Operating Expenses

Operating expenses increased by RMB12,733 million to RMB84,006 million over the same period of the previous year. Staff costs amounted to RMB45,857 million, representing an increase of RMB5,747 million over the same period of the previous year. General operating and administrative expenses amounted to RMB17,558 million, representing an increase of RMB2,837 million over the same period of the previous year. Depreciation and amortization amounted to RMB7,358 million, representing an increase of RMB960 million over the same period of the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth rate (%)
Staff costs	45,857	40,110	5,747	14.3
General operating and administrative expenses	17,558	14,721	2,837	19.3
Business tax and surcharges	12,539	10,190	2,349	23.1
Depreciation and amortization	7,358	6,398	960	15.0
Others	694	(146)	840	—
Total	**84,006**	**71,273**	**12,733**	**17.9**

Impairment Losses on Assets

In the first half of 2012, impairment losses on assets amounted to RMB22,772 million, representing a decrease of RMB4,925 million compared to the same period of the previous year.

We remained prudent and dynamic in making allowance for the impairment losses on loans based on our assessment of the economic environment uncertainties. The impairment losses on loans decreased by RMB4,836 million to RMB22,816 million compared to the same period of the previous year.

Income Tax Expense

In the first half of 2012, our income tax expense amounted to RMB23,480 million. The effective tax rate was 22.58%, which was lower than the statutory tax rate of 25%. This was mainly because: (1) the interest income derived from the PRC government bonds held by the Bank was exempted from the enterprise income tax according to the tax laws; and (2) 90% of the interest income on small loans to rural households was included in the calculation of taxable profits.

Segment Information

We assessed our performance and determined 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 based on geographical segments, business lines and the County Area Banking Business.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2012		Six months ended 30 June 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Corporate banking business	118,874	56.4	106,394	57.7
Retail banking business	76,131	36.1	66,367	35.9
Treasury operations	14,771	7.0	11,324	6.1
Other business	1,004	0.5	548	0.3
Total operating income	**210,780**	**100.0**	**184,633**	**100.0**

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

In millions of RMB, except for percentages

	Six months ended 30 June 2012		Six months ended 30 June 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	23,262	11.1	25,285	13.7
Yangtze River Delta	45,133	21.4	42,048	22.8
Pearl River Delta	26,941	12.8	23,654	12.8
Bohai Rim	32,903	15.6	26,613	14.4
Central China	27,924	13.2	22,029	11.9
Western China	45,204	21.4	38,200	20.7
Northeastern China	7,560	3.6	5,752	3.1
Overseas and others	1,853	0.9	1,052	0.6
Total operating income	**210,780**	**100.0**	**184,633**	**100.0**

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	82,021	38.9	69,410	37.6
Urban Area Banking Business	128,759	61.1	115,223	62.4
Total operating income	**210,780**	**100.0**	**184,633**	**100.0**

Balance Sheet Analysis

Assets

As at 30 June 2012, our total assets amounted to RMB12,901,412 million, representing an increase of RMB1,223,835 million or 10.5% compared to the end of the previous year. Net loans and advances to customers increased by RMB430,877 million or 8.0%. Net investment in securities and other financial assets increased by RMB89,142 million or 3.4%. Cash and balances with central banks increased by RMB57,796 million or 2.3%, mainly due to the increase in deposits from customers. Deposits and placements with banks and other financial institutions increased by RMB142,977 million or 41.5% which was mainly because we increased the fund lending. Financial assets held under resale agreements increased by RMB457,259 million or 86.4%, mainly due to the increase in bonds held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	6,080,104	—	5,628,705	—
Less: Allowance for impairment losses on loans	250,364	—	229,842	—
Loans and advances to customers, net	5,829,740	45.2	5,398,863	46.2
Investment in securities and other financial assets, net	2,717,194	21.1	2,628,052	22.5
Cash and balances with central banks	2,544,878	19.7	2,487,082	21.3
Deposits and placements with banks and other financial institutions	487,534	3.8	344,557	3.0
Financial assets held under resale agreements	986,699	7.6	529,440	4.5
Others	335,367	2.6	289,583	2.5
Total assets	**12,901,412**	**100.0**	**11,677,577**	**100.0**

Loans and Advances to Customers

As at 30 June 2012, our total loans and advances to customers amounted to RMB6,080,104 million, representing an increase of RMB451,399 million or 8.0% over the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

	30 June 2012		31 December 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loans granted by domestic branches	5,932,454	97.6	5,522,635	98.1
Corporate loans	4,247,465	69.9	3,989,570	70.9
Discounted bills	135,934	2.2	102,545	1.8
Retail loans	1,549,055	25.5	1,430,520	25.4
Overseas and others	147,650	2.4	106,070	1.9
Total	**6,080,104**	**100.0**	**5,628,705**	**100.0**

Corporate loans increased by RMB257,895 million or 6.5% over the end of the previous year to RMB4,247,465 million, primarily because we focused on providing services to support the effective development of real economy and satisfying credit needs of national key projects under construction and expansion, national key economic zones, national industrial zones, strategic emerging industries and small and micro enterprises, which facilitated to achieve steady growth of our loans.

Discounted bills increased by RMB33,389 million or 32.6% over the end of the previous year to RMB135,934 million, primarily because the base of comparison of discounted bills was relatively low, and we moderately enlarged the scale of discounted bills under the circumstances of the weakening loan demands.

Retail loans increased by RMB118,535 million or 8.3% over the end of the previous year to RMB1,549,055 million and accounted for 25.5% of our total loans, representing an increase of 0.1 percentage point compared to the end of the previous year. The increase was mainly because we continued to implement the transformation of our retail banking business, maintained the strategy of prioritizing the development of retail loans and vigorously promoted our high-quality retail loan business according to the government policy of boosting domestic demands and improving citizens' livelihood.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,901,670	44.8	1,698,960	42.6
Medium- and long-term corporate loans	2,345,795	55.2	2,290,610	57.4
Total	**4,247,465**	**100.0**	**3,989,570**	**100.0**

Short-term corporate loans increased by RMB202,710 million, or 11.9% and medium- and long-term corporate loans increased by RMB55,185 million, or 2.4%. Affected by the changes in macroeconomic environment, the growth of investments in fixed assets in the PRC slowed down. As a result, the growth of our medium and long-term loans slowed down and the percentage of which decreased by 2.2 percentage points to 55.2% compared to the end of the previous year.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,288,284	30.3	1,204,029	30.2
Production and supply of power, heat, gas and water	478,069	11.3	451,082	11.3
Real estate	460,291	10.8	497,241	12.5
Transportation, storage and postal services	482,716	11.4	458,781	11.5
Wholesale and retail	422,371	9.9	388,818	9.7
Water, environment and public utilities management	196,091	4.6	182,064	4.6
Construction	191,617	4.5	169,323	4.2
Mining	176,330	4.2	148,521	3.7
Leasing and commercial services	283,344	6.7	258,432	6.5
Information transmission, software and IT services	14,811	0.3	14,640	0.4
Others	253,541	6.0	216,639	5.4
Total	**4,247,465**	**100.0**	**3,989,570**	**100.0**

Note: 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 of enterprises mainly engaging in the real estate industry, mortgage loans for operating properties and other non-real estate loans to enterprises in the real estate industry. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

As at the end of the first half of 2012, the gross loans to corporate customers in the five major industries, including manufacturing, transportation, storage and postal services, production and supply of power, heat, gas and water, real estate, and wholesale and retail, accounted for 73.7% of our total corporate loans, representing a decrease of 1.5 percentage points compared to the end of the previous year. Real estate loans decreased by RMB36,950 million, representing a decrease of 7.4% compared to the end of the previous year, and its proportion to the total corporate loans decreased by 1.7 percentage points compared to the end of the previous year.

During the reporting period, we conducted more detailed study on the industrial policies according to the national macroeconomic policies to capture the strategic opportunities arising from the industry upgrade and migration, and vigorously supported the development of industries such as strategic emerging industries, modern service industries and advanced manufacturing industries. We strictly implemented the industry-specific risk exposure limit management and customer list-based management, and tightened the control of credit facilities to real estate industry, local government financing vehicles and industries with high energy consumption, high pollution or overcapacity. As such, loans to the relevant industries were effectively controlled.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2012		31 December 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Residential mortgage loans	951,338	61.4	891,502	62.3
Personal consumption loans	153,303	9.9	144,131	10.1
Loans to private businesses	171,813	11.1	157,424	11.0
Credit card overdraft	125,235	8.1	100,350	7.0
Loans to rural households	144,191	9.3	134,535	9.4
Others	3,175	0.2	2,578	0.2
Total	**1,549,055**	**100.0**	**1,430,520**	**100.0**

We prioritized the provision of loans to finance affordable housing, medium- and small-sized houses and medium to low prices houses in accordance with the national and local governments' control policies on real estate market. As at 30 June 2012, residential mortgage loans increased by RMB59,836 million or 6.7% over the end of the previous year to RMB951,338 million.

Personal consumption loans increased by RMB9,172 million or 6.4% over the end of the previous year to RMB153,303 million. The increase was primarily because we enhanced the integrated services capability for high-quality retail customers to facilitate the growth of personal consumption loans in response to the government's policies of boosting domestic demand and the consumption demand in particular.

Loans to private businesses increased by RMB14,389 million or 9.1% over the end of the previous year to RMB171,813 million. The increase was mainly because we proactively supported the development of high-quality small and micro enterprises with great growth potential in line with the national industrial policies and increased credit support to owners of small and micro enterprises and self-employed businesses, resulting in the increase of loans to private businesses.

Credit card overdraft increased by RMB24,885 million or 24.8% over the end of the previous year to RMB125,235 million. The rapid increase was mainly because we increased the number of credit cards issued and developed credit card instalment business, which resulted in the continuous increase in credit card consumption and rapid growth of credit card overdraft.

Loans to rural households increased by RMB9,656 million or 7.2% over the end of the previous year to RMB144,191 million. The increase was mainly because we optimized the customer, product and collateral structures of loans to rural households, and raised the credit limits to high-quality customers in the agricultural industrial chain, resulting in the increase of loans to rural households.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

	30 June 2012		31 December 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	105,429	1.7	91,189	1.6
Yangtze River Delta	1,591,619	26.2	1,511,027	26.7
Pearl River Delta	864,553	14.2	808,715	14.4
Bohai Rim	1,074,239	17.7	996,549	17.7
Central China	739,572	12.2	678,615	12.1
Northeastern China	229,723	3.8	205,807	3.7
Western China	1,327,319	21.8	1,230,733	21.9
Overseas and others	147,650	2.4	106,070	1.9
Total	**6,080,104**	**100.0**	**5,628,705**	**100.0**

We placed great emphasis on the coordinated development of loans in different regions and continued to optimize the geographic distribution of loans. In response to the national policies and plans of economic development for key zones, we maintained the credit supply to Yangtze River Delta, Pearl River Delta and Bohai Rim and allocated more credit resources to the regions where credit demands were relatively strong, such as Central China and Northeastern China. In addition, we strengthened the synergistic marketing between domestic and overseas loan businesses, resulting in an increase in the proportion of overseas loan.

Investments

As at 30 June 2012, our net investments in securities and other financial assets increased by RMB89,142 million to RMB2,717,194 million over the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	2,120,265	78.0	2,022,695	77.0
Restructuring-related debt securities	533,300	19.7	567,383	21.6
Equity instruments	367	—	1,185	—
Others	63,262	2.3	36,789	1.4
Total	**2,717,194**	**100.0**	**2,628,052**	**100.0**

As at 30 June 2012, non-restructuring-related debt securities investments increased by RMB97,570 million over the end of the previous year, which was mainly because we seized the opportunities when the bond yield was at a relatively high level in the first half of the year and moderately increased the investments in bonds. The restructuring-related debt securities investments decreased by RMB34,083 million over the end of the previous year, mainly because the MOF repaid part of our MOF receivables during the reporting period.

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss[1]	97,005	3.6	68,052	2.6
Available-for-sale financial assets	640,962	23.6	651,198	24.8
Held-to-maturity investments	1,247,436	45.9	1,178,888	44.8
Debt securities classified as receivables	731,791	26.9	729,914	27.8
Total	**2,717,194**	**100.0**	**2,628,052**	**100.0**

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

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

In millions of RMB, except for percentages

Item	30 June 2012 Amount	30 June 2012 Percentage (%)	31 December 2011 Amount	31 December 2011 Percentage (%)
Government bonds	569,235	26.8	551,569	27.3
PBOC bills	286,054	13.5	460,159	22.7
Bonds issued by policy banks	853,676	40.3	647,706	32.0
Bonds issued by banks and other financial institutions	84,798	4.0	82,417	4.1
Bonds issued by entities in public sectors and quasi-governments	54,487	2.6	50,295	2.5
Corporate bonds	272,015	12.8	230,549	11.4
Total	**2,120,265**	**100.0**	**2,022,695**	**100.0**

The proportion of investment in bonds issued by policy banks and corporate bonds increased by 8.3 percentage points and 1.4 percentage points, respectively. This was mainly because we refined our investment portfolio in accordance with the market change and increased the investment in bonds issued by policy banks and corporate bonds with better risk and return combination. The proportion of investments in the PBOC bills to the total non-restructuring-related debt securities investments decreased by 9.2 percentage points, mainly because PBOC suspended the issuance of PBOC bills and certain PBOC bills matured during the reporting period.

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

In millions of RMB, except for percentages

Item	30 June 2012 Amount	30 June 2012 Percentage (%)	31 December 2011 Amount	31 December 2011 Percentage (%)
Overdue	8	—	9	—
Less than 3 months	201,824	9.5	110,337	5.5
3–12 months	377,705	17.8	557,979	27.6
1–5 years	943,808	44.5	826,054	40.8
More than 5 years	596,920	28.2	528,316	26.1
Total	**2,120,265**	**100.0**	**2,022,695**	**100.0**

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

In millions of RMB, except for percentages

Item	30 June 2012 Amount	30 June 2012 Percentage (%)	31 December 2011 Amount	31 December 2011 Percentage (%)
RMB	2,067,768	97.5	1,968,584	97.3
USD	38,152	1.8	42,022	2.1
Other foreign currencies	14,345	0.7	12,089	0.6
Total	**2,120,265**	**100.0**	**2,022,695**	**100.0**

As at 30 June 2012, we did not hold any debt securities of Greece, Ireland, Portugal, Spain and Italy. Debt securities we held issued by other European sovereign countries were with stable risk profiles and would not cause material impact on our operation.

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. As at 30 June 2012, the balance of financial bonds of the Bank was RMB938,474 million, and the financial bonds are mainly 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 as at 30 June 2012.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2011 policy bank bonds	10,000	3.81%	2017-12-23	—
2011 policy bank bonds	10,000	One-year time deposit interest rate + 0.73%	2017-12-23	—
2012 policy bank bonds	10,000	3.10%	2014-6-28	—
2012 policy bank bonds	10,000	3.22%	2014-6-29	—
2012 policy bank bonds	10,000	3.12%	2014-6-29	—
2012 policy bank bonds	9,990	3.45%	2013-4-6	—
2011 policy bank bonds	9,550	4.00%	2016-11-8	—
2011 commercial bank bonds	9,000	4.20%	2016-12-28	—
2012 policy bank bonds	8,110	3.52%	2013-3-13	—
2010 policy bank bonds	7,680	3.17%	2017-7-21	—

Note: 1. Allowance in this table refers to individually assessed allowance, not including collectively assessed allowance.

Liabilities

As at 30 June 2012, our total liabilities increased by RMB1,181,797 million or 10.7% over the end of the previous year to RMB12,209,586 million. Deposits from customers increased by RMB982,560 million or 10.2%, while deposits and placements from banks and other financial institutions increased by RMB309,411 million or 42.7%. Financial assets sold under repurchase agreements decreased by RMB78,513 million or 85.3%, mainly due to the decrease in bonds sold under repurchase agreements.

Key Items of Liabilities

In millions of RMB, except for percentages

	30 June 2012		31 December 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Deposits from customers	10,604,586	86.9	9,622,026	87.3
Deposits and placements from banks and other financial institutions	1,033,647	8.5	724,236	6.6
Financial assets sold under repurchase agreements	13,566	0.1	92,079	0.8
Subordinated bonds issued	99,929	0.8	99,922	0.9
Other liabilities	457,858	3.7	489,526	4.4
Total	**12,209,586**	**100.0**	**11,027,789**	**100.0**

Deposits from Customers

In the first half of 2012, in response to the fierce competition from other banks and financial institutions, the Bank improved its deposit business evaluation mechanism, promoted product and service innovation, utilized the synergies between wealth management products and deposit business and diversified marketing channels and methods to boost rapid growth in deposits. As at 30 June 2012, deposits from customers increased by RMB982,560 million or 10.2% over the end of the previous year to RMB10,604,586 million. In view of the customer structure of deposits, the domestic corporate deposits increased by RMB222,664 million or 6.1% over the end of the previous year, and the domestic retail deposits increased by RMB536,743 million or 9.5% over the end of the previous year. In view of the maturity of deposits, the proportion of demand deposits decreased by 3.3 percentage points over the end of the previous year to 53.4%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

	30 June 2012		31 December 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Domestic deposits	10,566,217	99.6	9,591,984	99.7
Corporate deposits	3,866,226	36.5	3,643,562	37.9
Time	1,206,359	11.4	1,007,590	10.5
Demand	2,659,867	25.1	2,635,972	27.4
Retail deposits	6,162,820	58.1	5,626,077	58.5
Time	3,158,884	29.8	2,807,618	29.2
Demand	3,003,936	28.3	2,818,459	29.3
Other deposits[1]	537,171	5.0	322,345	3.3
Overseas and others	38,369	0.4	30,042	0.3
Total	**10,604,586**	**100.0**	**9,622,026**	**100.0**

Note: 1. Including margin deposits, remittance payables and outward remittance and so on.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	75,022	0.7	69,788	0.7
Yangtze River Delta	2,424,667	22.8	2,192,043	22.7
Pearl River Delta	1,492,329	14.1	1,348,651	14.0
Bohai Rim	1,846,904	17.4	1,652,034	17.2
Central China	1,735,077	16.4	1,584,429	16.5
Northeastern China	569,267	5.4	506,852	5.3
Western China	2,422,951	22.8	2,238,187	23.3
Overseas and others	38,369	0.4	30,042	0.3
Total	**10,604,586**	**100.0**	**9,622,026**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	6,264,427	59.1	6,040,089	62.8
Less than 3 months	1,229,147	11.6	1,116,450	11.6
3–12 months	2,104,010	19.8	1,718,502	17.9
1–5 years	1,005,479	9.5	744,676	7.7
More than 5 years	1,523	—	2,309	—
Total	**10,604,586**	**100.0**	**9,622,026**	**100.0**

Shareholders' Equity

As at 30 June 2012, the shareholders' equity of the Bank amounted to RMB691,826 million, representing an increase of 6.5% compared to the end of the previous year. Net asset per share increased by RMB0.13 over the end of the previous year to RMB2.13.

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

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	324,794	46.9	324,794	50.0
Capital reserve	98,773	14.2	98,773	15.2
Investment revaluation reserve	5,319	0.8	1,324	0.2
Surplus reserve	29,509	4.3	29,509	4.5
General reserve	75,331	10.9	64,854	10.0
Retained earnings	158,398	22.9	131,086	20.2
Foreign currency translation reserve	(660)	-0.1	(739)	-0.1
Equity attributable to equity holders of the Bank	691,464	99.9	649,601	100.0
Non-controlling interests	362	0.1	187	—
Total equity	**691,826**	**100.0**	**649,788**	**100.0**

Off-balance-sheet Items

The off-balance-sheet items mainly included the contingent liabilities and commitments, such as credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwritings and redemption commitments and legal proceedings. Credit commitment was a major component of the off-balance-sheet items and comprised loan commitments, acceptances, letters of guarantee issued and guarantees, letters of credit issued and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	615,506	38.2	796,913	47.3
Acceptances	409,052	25.3	346,048	20.5
Letters of guarantee issued and guarantees	231,011	14.3	223,389	13.2
Letters of credit issued	171,902	10.6	160,307	9.5
Credit card commitments	187,120	11.6	161,187	9.5
Total	**1,614,591**	**100.0**	**1,687,844**	**100.0**

Other Financial Information

Changes in Accounting Policies

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

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

There were no differences between the net profit and shareholders' equity in the consolidated financial statements of the Bank prepared under IFRSs and those prepared in accordance with CASs by the Bank.

Business Review

Corporate Banking

In the first half of 2012, we continued the operational transformation of our corporate banking business. We actively enhanced services for the real economy, and supported the development of major projects such as construction and expansion projects for state-level key infrastructure, projects for strategic emerging industries, projects for energy saving and environmental protection. We implemented industry-specific risk limit management and tightened controls on loans to industries with high pollution, high energy consumption or overcapacity. We accelerated business innovations and made efforts in the marketing and promotion of products such as trade financing, supply chain financing, syndicated loans and easy loans for Small Enterprises. We stepped up our cross selling and integrated marketing efforts by utilising our cash management platforms and e-banking systems to expand our marketing coverage to a wider customer base. We further extended our marketing efforts specifically towards leading enterprises. We also accelerated the establishment of synergistic marketing between corporate banking and retail banking, the Bank and its subsidiaries, and domestic and international markets and so on. The market shares of certain branches in major cities increased significantly as a result of the strategy of the prior development of our business in major cities. We continued to implement the customer segmentation-based management system, and increased and refined our customer base. We further optimized our core customer structure in the head office, tier-1 branch and tier-2 branch level. Moreover, we increased efforts to support SMEs and Micro Enterprises and actively developed services for SMEs and Micro Enterprises which have businesses in line with China's industrial policies and have high growth potential. We also expedited the establishment of specialized units to provide banking services to Small Enterprises.

As of the end of June 2012, we had 2.90 million corporate banking customers, of which approximately 75,800 customers had outstanding loans.

Corporate Loans and Deposits

In the first half of 2012, in response to the trend of liberalization of interest rates, we accelerated the launch of financial products and service innovations. By leveraging on the advantage of synergistic marketing with businesses such as corporate wealth management and cash management, we ensured a steady increase in corporate deposits. As at 30 June 2012, the balance of our domestic corporate deposits reached RMB3,866,226 million, representing an increase of RMB222,664 million or 6.1% over the end of the previous year.

We continued to refine our loan structure in terms of region, industry and customer. As at 30 June 2012, our outstanding domestic corporate loans and discounted bills aggregated to RMB4,383,399 million, representing an increase of RMB291,284 million or 7.1% over the end of the previous year. Outstanding loans to high-quality large- and medium-sized corporations with A+ grade or above increased by RMB272,200 million or 9.6% over the end of the previous year, accounting for 71.2% of the total outstanding corporate loans.

During the reporting period, we continued to adopt the existing real estate credit policy and further reinforced our loan recovery management. We refined the credit structure and efficiently prevented risks related to real estate loans. As at 30 June 2012, the balance of real estate corporate loans was RMB366,590 million, representing a decrease of RMB7,790 million over the end of the previous year, whereas outstanding non-performing loans and non-performing loan ratio decreased. In the first half of 2012, real estate corporate loans granted to customers with A- grade or above accounted for 97.7% of the total real estate corporate loans.

Small Enterprise Banking Business

In the first half of 2012, we further strengthened our support to Small and Micro Enterprises, enhanced the management of Small and Micro Enterprises business and improved services for Small and Micro Enterprises. We further increased the lending to Small and Micro Enterprises by formulating a separate loan growth plan for Small and Micro Enterprises. To regulate our banking services for Small and Micro Enterprises, we reviewed the policies and reduced or waived charges of our banking services provided to Small and Micro Enterprises and curbed the financing costs of enterprises. We actively promoted featured banking products for Small and Micro Enterprises. We also expedited product innovation and put efforts into R&D of general and regional featured banking products for Small and Micro Enterprises. We promoted the model of "science and technology sub-branches" and our experience in science and technology banking service in order to support science and technology SMEs. As at 30 June 2012, the outstanding loans to Small and Micro Enterprises amounted to RMB535,695 million[1], representing an increase of RMB57,071 million or 11.9% compared to the end of the previous year, which was higher than that of the total loans of the Bank by 3.9 percentage points.

Institutional Banking

As of the end of June 2012, we established agent cooperation relationships with 118 banks. The third-party depositary services maintained a relatively rapid growth. We offered third-party depositary services to 97 securities firms for their transaction settlement funds, and the number of our contracted customers reached 13.0176 million, representing an increase of 0.6263 million compared to the end of the previous year. The average daily balance of fund deposited amounted to RMB76.6 billion. A total of 148 futures brokerage companies used our Bank-Futures Account System and 158 futures brokerage companies established cooperation relationships with us, with outstanding margin deposits amounting to RMB31,149 million. We established comprehensive cooperation relationships with financial leasing companies, which were owned by banks. We strengthened strategic cooperation with central government departments and provincial governments. In the first half of 2012, the aggregate transaction volume of agency services provided to the treasury of the PRC central government amounted to RMB143,988 million. We also enhanced the innovation of our institutional products and services. Business cooperations with "Bank and Hospital Universal Card" and social security cards were also developed.

1 *In June 2011, the Ministry of Industry and Information Technology, the National Bureau of Statistics, the National Development and Reform Commission and the MOF issued new classification standards of enterprise operation scale (Gong Xin Bu Lian Qi Ye [2011] No. 300). In 2012, the Bank completed the transition from old to new classification standards of enterprise operation scale according to the relevant regulatory requirements and started to apply the new standards. The definitions of Small and Micro Enterprises were different from the previous years.*

Our presence in the bancassurance market continued to expand and the number of insurance companies using our bancassurance system reached 34. In the first half of 2012, we collected new premiums of RMB54,390 million from our sales of insurance products and generated RMB2,399 million from bancassurance fees and commissions. Our market share continued to rank first among the Big Four banks in terms of bancassurance fees and commissions.

Settlement and Cash Management

Payment and Settlement

The Bank strengthened its marketing efforts in relation to corporate customers by expediting R&D and promotion of settlement products, expanding the coverage of settlement services and supporting the payment and settlement of SMEs. We also enhanced cooperation with third-party payment companies. As such, the competitive advantages of our settlement business were further consolidated. As of the end of the first half of 2012, we had 3.65 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 amounted to RMB130.92 trillion, representing an increase of 22.9% compared to the same period of the previous year. We provided cash reserve deposit account management services for 23 third-party payment companies.

Cash Management

We accelerated the expansion of our global cash management business to cater to the specific needs of our cash management group customers. We also enhanced cash management services for SMEs and expanded the cash management service coverage. As at the end of the first half of 2012, we had approximately 130,900 cash management customers, representing an increase of 27.3% compared to the end of the previous year. Total transaction volume of cash management reached RMB48.12 trillion, representing an increase of 46.35% compared to the same period of the previous year.

Trade Finance and International Settlement

In the first half of 2012, coping with changes in the market environment and catering to the needs of customers for trade financial services, we boosted the promotion of products of international trade financing, international settlement, foreign guarantee business and cross-border RMB-denominated trade settlement. In the first half of 2012, the volume of international trade financing from our domestic branches amounted to USD68,935 million, representing an increase of 54.5% over the same period of the previous year. The total volume of international settlement conducted by our domestic branches amounted to USD333,886 million, representing an increase of 11.5% over the same period of the previous year. Our domestic branches issued an aggregate of USD6,326 million of letters of guarantee, representing an increase of 16.7% over the same period of the previous year. Cross-border RMB-denominated trade settlement totaled RMB167,581 million, representing an increase of 186.2% over the same period of the previous year.

Investment Banking

In the first half of 2012, we further regulated our investment banking operations. We actively expanded high-end investment banking businesses such as bonds underwriting, syndicated loans and corporate treasury advisory services to refine the structure of our investment banking business. During the reporting period, we issued 65 debt financing instruments for proceeds of RMB92,833 million. Of which, 37 short-term financing bills and 28 medium-term notes were issued for proceeds of RMB50,150 million and RMB42,683 million, respectively. Fees generated from syndicated loans amounted to RMB536 million. During the reporting period, income generated from our investment banking business reached RMB7,191 million.

We received five awards in the election of "2012 Outstanding Investment Banks in China" by the *Securities Times*, namely the "Best Investment Bank", "Best Bank on Syndicated Loans", "Best Financial Advisory Bank", "Best Syndicated Financing Project" and "Best Short-term Financing Bills Project".

Custody Services

As of 30 June 2012, we had RMB2,484,218 million of assets under custody, representing an increase of 19.4% over the end of the previous year. Among which, insurance assets accounted for RMB1,191,211 million, representing an increase of 3.9% over the end of the previous year, ranking first among all the commercial banks in China. In the first half of 2012, our custodian and other fiduciary service fees amounted to RMB722 million, representing an increase of 33.5% over the same period of the previous year.

Pension Business

In the first half of 2012, we won the bids for the custody of a number of pension funds of well-known enterprises. We actively promoted integrated schemes for corporate annuities and steadily expanded our custody business for the non-traditional rural pension insurance fund program and various social security funds. As at 30 June 2012, pension funds under our custody reached RMB163,427 million, representing an increase of 22.8% over the end of the previous year.

Retail Banking

With the target of becoming the most influential first-class retail bank in China, we continued to accelerate the transformation of our retail banking business in terms of channel function, standardized services, marketing systems and product procedures. We optimized the layout and standard establishment procedures for our outlet network and promoted outlet service intelligent management system. We refined and updated our retail customer relationship management system and launched training for customer managers and wealth management advisers so as to improve the mid- to high-end retail customers marketing system and strengthen overall retail customer relationship management. We steadily set up private banking divisions in certain branches and established a "four-in-one" VIP service platform comprising private banking, fortune management centers, wealth management centers and VIP financial centers. Committed to understanding the needs of our core customers, we launched several integrated marketing activities for retail banking. We enhanced the synergistic marketing between corporate banking and retail banking, expanded the scope of cross-selling and improved the synergistic marketing among products. We strengthened the research and development of new products and established a well-developed product system. The financial IC card which meets PBOC2.0 standards was extensively rolled out. The launch of banking products such as "Jinshitong" and "Paper Gold" was also expedited.

As of 30 June 2012, we had over 420 million retail customers, ranking first among all large commercial banks, and among which we had 15.407 million VIP customers. We had over 12,800 domestic Associate Financial Planners (AFP), over 1,500 international Certified Financial Planners (CFP) and more than 590 Executive Financial Planners (EFP), maintaining a leading position among all commercial banks in China.

Retail Loans

In the first half of 2012, we further accelerated the transformation of our retail loans marketing mode, commencing wholesale marketing, synergistic marketing and targeted marketing so as to enhance the marketing efficiency of retail loans. We also enhanced the policy of differentiated housing credit in compliance with the national macro-control polices in the real estate market, and improved our risk pricing mechanism in order to satisfy the financing needs of households to purchase first common commercial house for their own use. We continued to offer start-up loans to support owners of Small and Micro Enterprises and individual industrial and commercial operators. We made efforts in promoting new products, and launched specific marketing activities such as residential loans secured by mortgages and loan credits based on salary level. "Bao Jie Dai" was honored with the "Top Ten Innovative Financial Product Award" in China in 2012 by "The Banker". Transformation of the business model was carried out to enhance the quality and efficiency of the operation of the retail loan center. As at 30 June 2012, the balance of domestic retail loans reached RMB1,549,055 million, representing an increase of 8.3% over the end of the previous year.

Retail Deposits

In the first half of 2012, under the steady liberalization of interest rates for deposits, we took into account the changes in the operating environment, optimized our product mix, created innovative marketing strategies, and enhanced the customer relationship management, which resulted in the stable growth of retail deposits. In the first half of 2012, we strived to promote the integrated service product "Golden Key of Smart Wealth Management", and featured businesses, such as the retail deposit product series of "Shuang Li Feng", in order to enrich the product mix of retail deposits. As at 30 June 2012, the balance of domestic retail deposits reached RMB6,162,820 million.

Bank Cards

As of the end of June 2012, the number of debit cards issued amounted to 495 million with a transaction volume of RMB1,673,387 million in the first half of the year, representing an increase of 29.19% over the same period of the previous year. As of the end of June 2012, the number of debit IC cards issued amounted to 3.3869 million. As of the end of June 2012, the number of credit cards issued amounted to 34.81 million with a transaction volume of RMB289,580 million in the first half of the year, representing an increase of 49.6% compared to the corresponding period of the previous year. Our merchants of credit cards amounted to 503.4 thousand.

We continued to build the brand of our Kins cards, enriched the types of debit card products and conducted research and development of security cards for the soldiers of armed police force and Corporate Kins Card. In the first half of the year, newly-launched products, such as Kins and Han Ting Hotel Eastern Miles Co-brand Card and Kins and Mangocity Co-brand Credit Card, further enriched our credit card product mix. We organized various sales promotions including specific activities for the Olympics and health forums, which effectively boosted our credit card utility rate. We continued to expand the credit card instalment payment business by extending instalment periods and optimizing the variety of instalments. We also actively developed third-party payment channels for credit cards.

Item	**30 June 2012**	**31 December 2011**	**Growth Rate (%)**
Number of debit cards issued (unit: 10,000)	49,532.67	46,227.01	7.2
Number of credit cards issued (unit: 10,000)	3,033.27	2,694.36	12.6
	Six months ended 30 June 2012	**Six months ended 30 June 2011**	**Growth Rate (%)**
Transaction volume for debit cards (RMB100 million)	16,733.87	12,952.85	29.2
Transaction volume for credit cards (RMB100 million)	2,856.32	1,888.89	51.2

Agency Distribution of Fund Products

In collaboration with 70 fund management companies and securities firms, we distributed, as agent, over 1,000 products, such as funds, specific account products for multiple customers, and broker collective asset management plans. In the first half of 2012, we distributed fund products with a total transaction volume of RMB68,651 million, representing an increase of 8.83% over the same period of the previous year and received fees and commissions of RMB337 million. At the tenth anniversary of serving as the agent of open-ended funds, we implemented a customer caring campaign called "A grateful decade of Jijinbao" and introduced an offer campaign to customers. As a result, our market influence in the fund agency business and customers' satisfaction were enhanced.

Agency Sales of PRC Government Bonds

Due to the adjustment of the PBOC benchmark interest rates, sales of certain batches of electronic savings treasury bonds were suspended, resulting in a decrease in actual agency sales of PRC government bonds compared to the corresponding period of the previous year. We acted as an agent for the issuance of 5 batches of savings treasury bonds. Among which, we underwrote 1 batch of certificated savings treasury bonds with actual sales of RMB3,595 million and served as an agent for the issuance of 4 batches of electronic savings treasury bonds with actual sales of RMB8,872 million.

Private Banking Business

As at the end of June 2012, we established private banking departments in 17 domestic branches. The number of private banking customers reached over 33,000 and the assets under custody amounted to over RMB370,000 million.

We launched high-end customer services associated with private banking by integrating resources to establish a diversified product service platform. Integrated financial service capability was enhanced to raise the customers' satisfaction and loyalty. We cooperated with professional authorities for the second successive year to issue "2012 Wealth Allocation of Private Banks Report" in order to improve featured services such as cross-border financing, integrated financing for shareholders of listed companies, specialized credit services, legal consulting, tax consulting, private customer service hotlines, product formulation and tailor-made services. We strengthened brand promotion for private banking and further increased market awareness and customer recognition.

Treasury Operations

Money Market Activities

In the first half of 2012, the monetary policy of the PBOC remained prudent. Through lowering the benchmark interest rates for deposits and loans once and the statutory deposit reserve ratio twice, the floating range of interest rates and exchange rates were enlarged and the liberalization of interest rates sped up. Liquidity management encountered significantly increased pressure as the liquidity of RMB money market fluctuated from time to time. We enhanced our prospective market studies and monitoring in order to improve our fund profitability and efficiency while ensuring our liquidity. In the first half of 2012, our domestic RMB-denominated financing transaction volume amounted to RMB7,325,000 million, including lending of RMB6,780,100 million and borrowing of RMB544,900 million.

We continued to adopt a prudent strategy for short-term foreign currency investment and closely monitored the influence of the European debt crisis on our foreign counterparties. We also made timely strategic adjustments according to the changes of their credit level.

Investment and Trading Activities

As at 30 June 2012, our net investment securities and other financial assets amounted to RMB2,717,194 million, representing an increase of RMB89,142 million as compared to the end of the previous year.

Trading Activities

In the first half of 2012, we closely monitored the domestic and overseas economic situations and the changes of the central government's macro-control policies. By implementing reasonable trading strategies, the yield of bonds in trading book significantly surpassed the market index. In addition, we strengthened our RMB-denominated bond market maker business with our RMB-denominated bond trading volume amounting to RMB457,408 million in the first half of 2012.

Banking Book Activities

In the first half of 2012, the yield curves of RMB-denominated bonds shifted downward abruptly. Based on the prospective analysis of interest rates and the movement trend, we flexibly adjusted our bond portfolio in line with the bond market fluctuations in order to improve the yield of our investment portfolio. We continued to optimize the structure of our bond portfolio in terms of type and maturity. The proportion of bonds issued by policy banks and other financial institutions and corporations with a better risk-return ratio was increased. We also moderately increased our holding in national bonds and local government bonds with better after-tax yield.

In light of the European sovereign-debt crisis and the slowdown of the US economy's recovery, we continued to pursue a prudent foreign currency investment strategy to control re-investment scale and progress in the first half of 2012. We selected certain investments with sound credit ratings to optimize our portfolio structure and steadily raise the yield of the portfolio. As at 30 June 2012, our foreign bonds investment package for our own account amounted to RMB52,497 million.

Treasury Transactions on Behalf of Customers

We have been actively engaged in developing China's foreign exchange market. We continued to optimize the exchange settlement business structure and engaged in the development of the foreign currency trading. We put efforts into product innovation and continued to strengthen our risk control. In the first half of 2012, the transaction volume of our RMB exchange settlement on behalf of customers reached USD113,527 million, and that of foreign exchange trading on behalf of customers (including "Wai Hui Bao") amounted to USD11,696 million.

Wealth Management

Retail Wealth Management

With innovative designs and sales models and better information disclosure, we improved the customer services for wealth management products. In the first half of the year, we issued 846 types of retail wealth management products of RMB2,519,500 million.

We enriched the retail wealth management product portfolio by launching equity products "Kai Yang" and "Automatic Wealth Management", in order to cater for the needs of investors with different risk preferences. To meet the needs of customers for open-ended products, we capitalized on the functions of "automatic wealth management" to offer various new customized open-ended products with flexible maturities and yields. To maintain the loyalty of high-end customers, yield segmentation-based products were launched. We also broadened our product portfolio and improved customers' awareness of our products by introducing "semi open-ended" products.

Corporate Wealth Management

During the reporting period, we strengthened product design in accordance with the needs of corporate investors and issued 309 types of corporate wealth management products of RMB941,700 million.

Our products such as "Ben Li Feng Corporate Series Products", "An Xin De Li Corporate Series Products" and "Hui Li Feng Corporate Series Products" produced high yields. We provided customized wealth management products to specific corporate customers in order to help them optimize their idle funds flexibly and effectively.

Accounting and Management of Off-balance-sheet Wealth Management Products

The accounting and management of the off-balance-sheet wealth management products of the Bank were in compliance with the PRC accounting standards and relevant regulations. Funds from our off-balance-sheet wealth management products were all under custody. We prepared separate operating reports for each of the asset portfolios. We continued to improve the investment management of off-balance-sheet wealth management products, properly assigned the maturity structure of their assets and liabilities and imposed strict measures to manage market risk. All of the off-balance-sheet wealth management products issued and redeemed during the reporting period achieved the expected yield.

Wealth Management Cooperation between Banks and Trust Companies

We strictly complied with the regulatory requirements to regulate our wealth management business. Our regulated wealth management business was under effective scale control and enjoyed a high credit ranking. We mainly invested in public utilities projects financed by the PRC central government and the overall risks were under control. During the reporting period, the wealth management cooperation between the Bank and trust companies decreased significantly and there was no new wealth management cooperation between the Bank and trust companies in the first half of 2012.

Regulatory Requirements and Risk Management Measures

Administrative Measures for the Sale of Wealth Management Products of Commercial Banks was implemented on 1 January 2012, pursuant to which the wealth management business of commercial banks shall comply with the principles of "measurable cost, controllable risk and adequate disclosure of information".

During the development process of our wealth management business, we adopted several measures to control the relevant risks. In regard to the credit risk, we strictly tightened the entry threshold for credit investment instruments and improved the credit granting and drawdown management of our wealth management business. We also set a reasonable risk limit and monitored our risk exposure in a timely manner to keep reinforcing our post investment management and monitoring. In respect of market risks, we evaluated and measured market risks with integrated tools and reinforced the monitoring of our market risk limits. In relation to operational risks, we improved our approval and delegation system. We streamlined business operation procedures and enhanced the capability of system supporting to reduce the risks arising from human error.

Precious Metal Business

We strived to identify market opportunities and conducted research with the aim of formulating market strategies for precious metal business. By capitalizing on our longstanding advantages, we actively developed our precious metal business for our own account. As at the end of June 2012, we recorded domestic and overseas transactions of gold and silver of 315 tons and 1,138 tons, respectively. We also steadily developed our precious metal agency business. As at the end of June 2012, we traded 20.84 tons of gold on behalf of our customers with a transaction volume of RMB35,114 million.

Distribution Channels

Branch Outlets

In the first half of 2012, with the aim of stabilizing township outlets, adjusting county town outlets and optimizing urban outlets, we continued to refine the layout of our branch outlets. Standardized transformation and reconstruction of branch outlets were implemented to enhance marketing capabilities effectively. We completed the relocation of 412 branch outlets, the standardized transformation and reconstruction of 1,222 branch outlets in the first half of 2012. As at the end of June 2012, 16,256 branch outlets with specific functional zones were established, representing an increase of 1,655 as compared to the end of previous year.

Electronic Banking

We were dedicated to establishing a system providing five major online financial services, namely Internet banking, telephone banking, mobile banking, self-serve banking and E-commerce banking, to provide flexible, efficient, convenient and secure e-finance services to customers. In the first half of 2012, we completed approximately 13,144 million electronic transactions, representing an increase of 38.53% as compared with the same period of previous year, accounting for 64.29% of our total number of transactions, representing an increase of 2.77 percentage points compared with the same period of previous year.

Internet Banking

We adopted the most advanced Internet technology to innovate and upgrade Internet banking functions and streamline business processes to improve our customers' experience. In the first half of 2012, we optimized the operating environment of retail Internet banking system, refined the selling function of wealth management services via retail Internet banking and enhanced our credit card Internet banking services. As at 30 June 2012, we had 77.14 million retail Internet banking customers and the total transaction volume for our retail Internet banking was RMB39.97 trillion in the first half of 2012.

We continued to refine our corporate Internet banking system, comprising the Zhixin Version, Zhirui Version, Zhibo Version and Zhiyi Version. We further enhanced service capabilities and optimized the functions in businesses such as wealth management, foreign exchange transactions and loans, and provided differentiated services to various customers including micro, small and medium, and large enterprises as well as conglomerates. At the end of June 2012, we had approximately 1.5642 million corporate Internet banking customers and the total transaction volume of our corporate Internet banking was RMB24.21 trillion in the first half of 2012.

We continued to enhance the quality of our services and expanded the influence of our portal website by enhancing the development and management of our portal website. During the reporting period, the click-through rate of our portal websites exceeded 1.969 billion, ranking high among the banking websites in China.

Telephone Banking

In the first half of 2012, we speeded up the establishment of "new-generation" customer service platforms and upgraded our customer service systems. We improved the function of our customer services and strengthened the establishment of specific service system for VIPs. We refined the synergistic customer service systems to enhance our ability to respond to the market. During the reporting period, we received 222 million calls via our 95599 customer service center.

Mobile Banking

In the first half of 2012, we officially launched mobile banking products, which are applicable to mobile communication devices, such as mobile phones. We also upgraded our mobile banking product series and launched mobile banking client series (iPhone version). In addition, we optimized the transaction functions of mobile banking browser series (WAP) and mobile banking browser series (3G). We also enhanced the functions of value-added services, such as mobile e-commerce mall and travel e-commerce services. At the end of June 2012, our mobile banking business had 46.32 million customers and the transaction volume amounted to RMB161,594 million in the first half of 2012. We also had 123.74 million customers contracted for our SMS banking with a total of 2,980 million short messages sent to our contracted customers in the first half of 2012.

Self-Service Banking

In the first half of 2012, we continued to establish an integrated platform for self-service facilities and upgraded the self-service terminals system. We speeded up the roll-out of Zhifutong (tele-transfer machine) as well as improved the operational management of and increased investment in self-service facilities. As at the end of June 2012, we had 72,947 cash-related self-service banking facilities, ranking top among all banks in China and the total transaction volume in the first half of 2012 amounted to RMB4.10 trillion. We had 31,793 self-services terminal facilities, with a total transaction volume of RMB3.36 trillion in the first half of 2012. We had 3.28 million Zhifutong machines, with a total transaction volume of RMB4.44 trillion in the first half of 2012.

E-Commerce Banking

In the first half of 2012, we carried out trials of a new e-commerce payment platform and launched the online "K-code payment products". We provided various payment methods, including "Mobile WAP Payment" and "Phone Wallet Payment" through different platform products, such as the B2C general payment platform, the B2B general payment platform, the direct sale of funds payment platform and the online market payment platform. As such, comprehensive online collection and payment and value-added services were provided to over 5,000 enterprises. As at the end of June 2012, our merchant's network had a total of 5,011 members with a transaction volume of RMB296,262 million in the first half of 2012.

Overseas Business and Diversified Operation

Overseas Business

We were aiming to engage in the international financial market and steadily develop our overseas businesses. In the first half of 2012, we made great progress in the layout and development of our overseas institutions. Agricultural Bank of China (UK) Ltd., our Seoul branch and our representative office in Vancouver all commenced business. The business license of our Singapore branch was upgraded to a wholesale bank license and the application for the establishment of our New York branch was approved by the relevant overseas regulatory authorities. The application for the establishment of our Dubai branch and the upgrading of the representative office in Frankfurt to an operational organization were both approved by the CBRC.

In the first half of 2012, our overseas institutions pursued a prudent operational strategy and strengthened synergistic marketing efforts between domestic and overseas branches for optimal synergistic effect. Steady expansion of high-quality customer base and effective risk control have ensured the healthy growth of our overseas institutions. ABC International Holdings Limited continued to improve its investment banking service capability and expanded its service coverage. It endeavored to establish a diversified operation platform and its market competiveness was enhanced steadily. As at 30 June 2012, total assets of our overseas branches and subsidiaries reached RMB172,144 million. Net profit for the first half of the year was RMB795 million.

Major Subsidiaries

We will continue to expand our integrated financial businesses and improve our international, diversified and cross-market financial services. Please refer to the section headed "Discussion and Analysis — Business Review — Human Resources Management and Organization Management" for further information on our major subsidiaries.

Information Technology

During the reporting period, we enhanced the operational management of our information systems and commenced the establishment of the new-generation core banking system. We also made efforts in R&D information technology products and continued to optimize the IT infrastructure and improve IT governance, so as to provide a solid technology support to the development of our businesses.

Secure and Stable Operation of Information Systems

We completed the preliminary construction of an integrated production and operation system, which improved the sophistication, standardization and automation level of our production and operations. The daily transaction volume of our core business system reached new highs. The secure and stable operation of our information systems ensured smooth and stable financial services.

Progress in the Construction of New-generation Core Banking System

We completed the construction of basic operational framework of BoEing, our new-generation core business system, as well as the development and trail of its first phase. The modification of peripheral systems also ran smoothly. We also carried out business acceptance testing, training and preparatory work.

Support to Product Innovation and Business Management

We implemented the establishment of various major information systems and continued to improve the level of financial services and sophisticated management. The risk management system was successfully launched and we constructed an integrated technical framework for the whole-process of risk management covering credit risk, market risk and operational risk. As a result, we enhanced the ability to effectively measure these three risks. We successfully launched a client terminal for mobile banking customers and commenced the operation of platforms for "Kins Huishang Card" and global cash management, enhancing services and market competiveness of our electronic banking business, settlement business and cash management business. In addition, we completed the promotion of the integrated operation platform to all tier-1 branches (excluding the Tibet branch) and a new operational system with separate front, middle and back offices was established to enhance operational efficiency. We made remarkable progress in the IT infrastructure construction of overseas organizations. The modified core systems of Agricultural Bank of China (UK) Ltd. commenced operation and the modification of the core system of Singapore branch was completed.

Continuous Improvement in IT Infrastructure

We continued to integrate and improve our IT infrastructure. The hardware expansion for the host systems of the two data centers in Shanghai and Beijing was progressing smoothly and the functions of the host systems were further enhanced. We also launched the promotion project for new-generation open platform of centralized monitoring system. A monitoring platform with two levels, Head Office level and branch level, was set up to reduce system operation risks and strengthen the early-warning capability of the systems.

Continuous Improvement of IT Governance

We formulated the 2012-2015 IT development plan and commenced research for specific plans. The IT management department and the software R&D center of the Head Office initiated a project to obtain ISO27001 certification in order to enhance the sophistication of our IT management. We completed an inspection into the information security of the Bank, and the protection tests and ratings of the security grades of information system, which contributed to the continuous enhancement of the Bank's risk control capability.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, we continued to facilitate the implementation of the comprehensive reform in human resources. In order to meet with the operational requirements of the new human resources management system, we completed the initial stage of development and launched a trial of the new e-HR system, which effectively enhanced the sophistication and standardization levels of management and the efficiency of internal management.

Development and Cultivation of Human Resources

During the reporting period, we developed the policy of the system for promotions based on expertise and completed the introduction of senior positions within this system for the first time, which has broadened the career path for our employees. We carried out training as needed and adopted innovative training methods and tactics to improve the quality of our employees. An online academy for all employees of the Bank was established and the "2012 e-learning and e-training" project was formulated and implemented. The online academy had accumulated over 2 million visits in the first half of the year.

Information on Employees

We had 444,238 employees[1] as at 30 June 2012, representing a decrease of 3,163 employees over the end of the previous year. Among our employees, 179 were at our major domestic subsidiaries and 403 were local employees at our overseas institutions.

1 *We had additional contracted labor of 41,583.*

Management of Branch Outlets

Domestic Branch Outlets

As at 30 June 2012, we had 23,465 domestic branch outlets, including the Head Office, the Business Department of the Head Office, two specialized institutions managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 348 tier-2 branches (including business departments of branches in provinces), 3,478 tier-1 sub-branches (including business departments in municipalities and business departments of branches directly managed by the Head Office), and 19,543 branch outlets and 55 other establishments.

Overseas Branch Outlets

As at 30 June 2012, we had three overseas branches and five overseas representative offices, namely the Hong Kong, Singapore and Seoul branches and the New York, Tokyo, Frankfurt, Sydney and Vancouver representative offices.

Major Subsidiaries

At at 30 June 2012, our 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, ABC Jixi Rural Bank Limited Liability Company, ABC Xiamen Tong'an Rural Bank Limited Liability Company and ABC Zhejiang Yongkang Rural Bank Limited Liability Company. Our major overseas subsidiaries included ABC International Holdings Limited, China Agricultural Finance Co., Ltd. and Agricultural Bank of China (UK) Ltd..

County Area Banking Business

We provided customers in County Areas with a broad range of financial products and services through all the operating branches in counties or county-level cities (County Areas) throughout China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business". During the reporting period, we continued to capitalize on the synergistic advantages between the Urban Areas and County Areas. We increased the credit provision in County Areas and strengthened the reform of the County Area Banking Division in order to expand the scale and enrich the services of the County Area Banking Business and consolidate our leading position and dominated advantages in the County Areas.

Mechanism Reform

Product R&D. We developed and modified the loan products for small-scaled hydropower projects. We innovated over ten regional featured products including loans for rural household tourism, venture loans for rural households and loans for rural households in agricultural industry chain and designed special financial service programs based on the operating features of agricultural enterprises. We also endeavored to develop new service models for County Area Banking Business. Our Sichuan Liangshan branch cooperated with China Mobile to launch a pilot product called "Yinxuntong", which helped to form a series of new service models comprising mobile customer manager team, part-time outlets, self-service cash withdrawal of bank cards by rural customers and third-party channel cooperation. More resources were also allocated to the brand building for County Area Banking Business to establish a comprehensive branding system.

Credit Management. Focusing on the agriculture-related industrial and regional credit policies, we continued to improve our credit policy systems for County Areas. By conducting research on the agriculture-related industries, we formulated regional credit policies for the core grain production area, tobacco plantation area and animal husbandry area. We also strengthened the differential authorization by institution, customer, product and risk level.

Risk Management. We continued to strengthen the risk management mechanism in County Areas by improving the organization of risk management and setting up separate risk management departments in certain County Area branches. Risk management tools for County Areas were developed to estimate the risk tolerance of credit products in County Areas according to their risk and return level, and such risk tolerance was used as the risk control limit of products. We also commenced risk assessments of credit products in County Areas and focused on modifying those products with higher risk. We refined the management of the suspension and resumption of credit products in County Areas to strengthen risk management and control of County Area banking products. Pilot operations for the centralized management of retail loan business in the County Areas were commenced to strengthen its risk management. We continued to monitor the risk of key areas such as county-level government financing vehicles, real estate projects and SME customers in County Areas on a regular basis. By analyzing typical cases of County Area customers with higher risk, we identified the key risks associated with our customers and improved the risk management policies, procedures and management tools of our County Area business.

Accounting and Performance Review. We continued to optimize the financial reporting systems for County Areas to strictly control the operational risk of the system. We improved the performance assessment system of major County Area sub-branches, and formulated more specific assessment indicators of business lines and rating standards.

Human Resources Management. We launched separate recruitment programs in the County Areas and adopted various recruitment methods, such as campus recruiting, recruiting program for university graduates who had been working as "village officials" and contract-based teller recruiting, in order to expand the talent pool working in the frontline positions in the County Areas. We held training workshops for the heads of the County Area sub-branches to further enhance their integrated ability through learning, sharing and on-site visits. We also organized training programs for outstanding middle-aged staff in County Areas to provide them with a high-end learning platform and enhance their overall strengths and adaptability to their positions.

County Area Corporate Banking Business

During the reporting period, we carried out our "Projects with Thousands or Hundreds of Units" for the rural industrial banking business, which set a series of the development targets for the rural industrial banking business with thousands or hundreds of units. We developed an integrated service model for the County Areas, and expanded the middle-to-high-end customer base in the County Areas. We strived to enhance marketing and core management ability, promoted comprehensive operation and balanced business development and accelerated the enhancement of our risk management and controls so as to consolidate and strengthen our leading position in corporate banking business in the County Areas.

To improve our marketing management, we focused our efforts on the middle-to-high-end customers from various sectors, such as industrialization of agriculture, SMEs in County Areas, urbanization of rural areas, commodity circulation in County Areas and public utilities in rural areas. In addition, we also carried out integrated marketing between the urban and rural areas and between the corporate banking and retail banking, and explored industrial chain marketing which focused on key enterprises. We also promoted five integrated service models driven by leading industrialization enterprises, industrial clusters in County Areas, featured agricultural industries, major markets and tourism in County Areas.

To enhance product innovation, we launched integrated marketing guidelines relating to the medical services in rural areas and modified our products, such as loans for small-scaled hydropower projects. We also sped up the research and development of new products, such as loans secured by featured agricultural products and loans for new countryside construction projects.

As at 30 June 2012, corporate loans from our County Area Banking Business amounted to RMB1,308,429 million, representing an increase of 10.0% compared to the end of the previous year. Corporate deposits with our County Area Banking Business amounted to RMB1,361,368 million, representing an increase of 6.4% compared to the end of the previous year.

County Area Retail Banking Business

We formulated and carried out the "Huinongtong" development plan and expanded the coverage of financial services provided in rural areas through Huinong Cards, services stations, electronic channels and mobile services. The scale and market share of our new rural insurance and new rural corporative medical insurance agency businesses increased continuously. We also pushed forward the transformation and enhancement of the centralized operation of loans to rural households. In addition, we also optimized our customer structure, product structure and guarantee structure. Targeting high quality rural households in the agricultural industry chain, we increased the credit limit to rural households to enhance the market competiveness of our loan products provided to rural households.

At the end of June 2012, we issued a total of 112 million Huinong Cards, representing an increase of 13.8504 million cards compared to the end of the previous year. The coverage ratio of electronic devices amounted to 44% of villages in China. The retail loans provided by our County Area Banking Business amounted to RMB582,794 million, representing an increase of 8.6% compared to the end of the previous year. The retail deposits with our County Area Banking Business amounted to RMB2,916,939 million, representing an increase of 10.6% compared to the end of the previous year.

Financial Position

As at 30 June 2012, the total assets of the County Area Banking Business reached RMB4,798,904 million, representing an increase of 9.2% over the end of the previous year. Total loans and advances to customers reached RMB1,921,962 million, representing an increase of 9.7% over the end of the previous year, which was higher than the average growth rate of the Bank. In the first half of 2012, the profit before tax of the County Area Banking Business was RMB33,408 million, representing an increase of 28.8% compared to the same period of the previous year. As at 30 June 2012, the non-performing loan ratio of the County Area Banking Business decreased by 0.27 percentage points over the end of the previous year to 1.69%. The allowance to non-performing loans ratio increased by 46.96 percentage points over the end of the previous year to 288.74%.

Assets and Liabilities

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

In millions of RMB, except for percentages

	30 June 2012		31 December 2011	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loans and advances to customers, total	1,921,962	—	1,751,535	—
Allowance for impairment losses	(93,788)	—	(83,198)	—
Loans and advances to customers, net	1,828,174	38.1	1,668,337	38.0
Intra-bank balances[1]	2,619,059	54.6	2,423,092	55.1
Other assets	351,671	7.3	303,091	6.9
Total assets	**4,798,904**	**100.0**	**4,394,520**	**100.0**
Deposits from customers	4,432,783	96.9	4,014,015	96.6
Other liabilities	141,461	3.1	143,389	3.4
Total liabilities	**4,574,244**	**100.00**	**4,157,404**	**100.0**

Note: 1. *Intra-bank balances represent funds provided by our County Area Banking Business to other business within the Bank through internal funds transfers.*

Profit

The following table sets forth the major items of income statement of our County Area Banking Business for the periods indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2012	Six months ended 30 June 2011	Increase/ (decrease)	Growth Rate (%)
External interest income	64,037	48,226	15,811	32.8
Less: External interest expense	38,201	25,502	12,699	49.8
Interest income from intra-bank balances	41,426	32,503	8,923	27.5
Net interest income	**67,262**	**55,227**	**12,035**	**21.8**
Net fee and commission income	13,906	13,509	397	2.9
Other non-interest income	853	674	179	26.6
Operating income	**82,021**	**69,410**	**12,611**	**18.2**
Less: Operating expenses	36,965	31,388	5,577	17.8
Impairment losses on assets	11,648	12,092	(444)	-3.7
Profit before tax	**33,408**	**25,930**	**7,478**	**28.8**

Key Financial Indicators

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

Unit: %

Item	Six months ended 30 June 2012	Six months ended 30 June 2011
Return on average total assets	1.13*	0.99*
Average yield of loans	6.98*	6.09*
Average cost of deposits	1.79*	1.36*
Ratio of net fee and commission income to operating income	16.95	19.46
Cost-to-income ratio	40.25	40.70
Item	**30 June 2012**	**31 December 2011**
Loan-to-deposit ratio	43.36	43.64
Non-performing loan ratio	1.69	1.96
Allowance to non-performing loans ratio	288.74	241.78
Allowance to total loans ratio	4.88	4.75

* *Indicates annualized data.*

Risk Management

Comprehensive Risk Management System

In the first half of 2012, we focused on the implementation of the New Basel Capital Accord, continued to optimize our comprehensive risk management framework, maintained prudent risk appetite, refined the organizational structure of risk management of our branch outlets and enhanced the development of the risk management information systems. We further extended the application of the Internal Rating Based (IRB) System for credit risk and enhanced the development of Internal Model Approach (IMA) for market risk and Advanced Measurement Approach (AMA) for operational risk. Our risk management capability was further strengthened. Our systems for risk management were constantly improved by launching various policies and measures, including responsibilities for risk prevention and control, impairment test for financial assets, valuation management of treasury transactions and investment businesses, operational risk evaluation and business continuity management.

We made preparations for the implementation of the New Basel Capital Accord, including revisions to our policies and procedures relating to customer rating and operational risk management, optimization of the risk measurement model, expansion of our databases and upgrade of the functions of our information systems. We accelerated the construction of the IRB system and upgraded the Risk-Weighted Assets (RWA) calculation engine for credit risk, completed a third party verification of the retail IRB system and implemented the system in all branches. We continued to implement the IMA for market risk, refined the market risk data warehouse functions and completed the compilation of the demands of regulatory capital measurement and economic capital measurement of IMA for market risk. We launched the AMA for operational risk and completed the collection of historical loss data as well as the framework design. The development of Internal Capital Adequacy Assessment Process (ICAAP) achieved good progress. We implemented measures in strict compliance with the *Regulation Governing Capital of Commercial Banks (Provisional)* promulgated by the CBRC, reinforced capital control and raised the level of capital returns.

We continued to keep track of the changes in the macroeconomic and financial environments as well as the operation and management of the Bank. We regularly submitted certain risk reports to the Board of Directors, Board of Supervisors and the senior management. The Bank strengthened its risk reporting mechanism and optimized and upgraded the risk reporting system to improve the timeliness, accuracy and comprehensiveness of risk reporting.

Credit Risk

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

Credit Risk Management

In the first half of 2012, we adjusted and refined our policies and regulations and optimized the mechanisms and systems for credit risk management in a timely manner in compliance with the PRC government's macroeconomic control policies and in response to changes in the macroeconomic environment. We reinforced risk controls for key businesses, strengthened risk inspection and actively mitigated potential risks. We also enhanced the customer list-based management and improved the industry-specific risk exposure limit management system to facilitate the adjustment and optimization of our loan portfolio.

- We optimized credit policy system to refine loan portfolio. We formulated the credit policy guidelines for 2012, enhanced the customer list-based management, accelerated the adjustment and modification of industrial and regional credit policies, and strengthened the efforts to terminate loans to customers with potential risks so as to provide guidelines on the reasonable issuance of loans.

- We optimized credit management procedures. We strengthened our authorization and re-delegation management and continued to optimize and refine business procedures. We proactively launched post-approval evaluations of credit facilities and improved the review and approval procedures. We also implemented new regulations on loans, including entrusted payment management and guarantee management, and strengthened credit administration and post-disbursement management.

- We further strengthened the fundamental role of economic capital in guiding and adjusting business development to promote the transformation of operating mode. In order to promote the transformation of operating mode to be capital intensive, we implemented the New Basel Capital Accord, applied the results from the IRB system, improved the measurement of economic capital, facilitated the development of measurement system, and strengthened the risk sensitivity of economic capitals.

- We enhanced industry-specific risk exposure limit management to strengthen the capability of managing and controlling portfolio risk. We further expanded the scope of exposure limit management and strictly restrained the credit scale of certain industries. In addition, we further enhanced methods of control, optimized the system for industry-specific risk exposure limit management and enhanced the standardization and flexibility of exposure limit management to optimize the loan structures in terms of industry and customer.

- We enhanced risk controls for key businesses. We strengthened the management of loans to local government financing vehicles by developing detailed loan categories, confirming the repayment of expired loans by each customer and rectifying existing loans to financing vehicles with a major focus on mortgage and guarantee, terms of maturity and repayment methods. We established higher approval levels and strictly controlled the direction for newly issued loans. We also reinforced the management of real estate loans and controlled the total amount and risks by adopting a series of measures, such as restricting the approval criteria for customers, withdrawing credit approval authorization, strengthening the post-disbursement management and strictly implementing entrusted payment. We also consolidated the management of loans to industries with high pollution, high energy consumption or overcapacity, implemented strict limits on industry-specific risk exposure and tightly controlled the entry standards and terms of credit approval to optimize the industry structure of loans.

- We improved risk management for retail loan business. We implemented the retail rating system in all branches and enhanced the application of rating results in credit approval, post-disbursement management and loan pricing. We streamlined the procedures and potential risk areas of retail loan business, implemented risk controls in the whole business process, and completed the research and development of a risk monitoring system for retail loan business. We continued to carry out the suspension and resumption management and kept improving the structure of retail loan products. We pushed forward the centralized operation reform for retail loans, commenced pilot operations for the centralized collection of retail non-performing loans and researched and developed a loan collection system, to enhance the centralized management of our retail loan business.

- We improved the risk management of credit card business. We optimized the systems and measures relating to the risk management of our credit card business and developed a centralized operation platform for credit cards. The entry threshold, credit granting and the authorization of credit cards with high credit limit were strictly controlled to prevent the misappropriation of overdraft funds into production and operation. We also adopted strict review procedures for new merchants joining our network, researched and developed a monitoring system for merchants with risks, and strengthened the access management and risk control. In addition, we refined anti-fraud procedures and optimized the fraudulent transaction monitoring system, which effectively helped prevent fraudulent applications and transactions using fake credit cards.

- We strengthened the risk management of treasury business. Bond credit evaluation system and decision making mechanism for debenture bond investment were reformed to enhance the decision-making and management ability of the investment business. We explored research into the profit patterns of transactions and the cooperation strategies in the money market to facilitate the sound and effective development of our relevant businesses. Furthermore, in order to enhance risk quantification management, we reformed our stress testing for wealth management and formulated a system of monitoring indicators for the credit and market risks of our bill business.

- We strengthened the risk management of County Area Banking Business. Please refer to "County Area Banking Business — Mechanism Reform — Risk Management".

Credit Risk Analysis

Maximum exposures to credit risk (before taking into account any collateral and other credit enhancement) were set out as follows:

Maximum Exposures to Credit Risk

In millions of RMB

Item	30 June 2012	31 December 2011
Balances with central banks	2,473,161	2,407,271
Deposits with banks and other financial institutions	347,130	131,874
Placements with banks and other financial institutions	140,404	212,683
Financial assets at fair value through profit or loss	96,204	68,052
Derivative financial assets	6,886	8,524
Financial assets held under resale agreements	986,699	529,440
Loans and advances to customers	5,829,740	5,398,863
Available-for-sale financial assets	640,595	650,013
Held-to-maturity investments	1,247,436	1,178,888
Debt securities classified as receivables	731,791	729,914
Other financial assets	102,616	65,351
Subtotal for on-balance-sheet items	12,602,662	11,380,873
Credit commitments	1,614,591	1,687,844
Total	**14,217,253**	**13,068,717**

Distribution of Loans by Collateral

In millions of RMB, except for percentages

Item	30 June 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	2,745,872	45.2	2,557,189	45.5
Loans secured by pledges	724,597	11.9	608,164	10.8
Guaranteed loans	1,290,005	21.2	1,262,403	22.4
Unsecured loans	1,319,630	21.7	1,200,949	21.3
Total	**6,080,104**	**100.0**	**5,628,705**	**100.0**

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

Item	30 June 2012 Amount	30 June 2012 Percentage of total loans (%)	31 December 2011 Amount	31 December 2011 Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	33,965	0.6	25,776	0.5
Overdue for 91 to 360 days	12,607	0.2	7,762	0.1
Overdue for 361 days to 3 years	12,903	0.2	16,338	0.3
Overdue for more than 3 years	25,533	0.4	23,587	0.4
Total	**85,008**	**1.4**	**73,463**	**1.3**

Restructured Loans and Advances

In millions of RMB, except for percentage

	30 June 2012 Amount	30 June 2012 Percentage of total loans (%)	31 December 2011 Amount	31 December 2011 Percentage of total loans (%)
Restructured loans and advances	11,953	0.2	9,934	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	24,228	0.38
Borrower B	Production and supply of power, heat, gas and water	19,772	0.33
Borrower C	Leasing and commercial services	12,700	0.21
Borrower D	Public administration, social security and social organizations	12,544	0.21
Borrower E	Construction	11,933	0.20
Borrower F	Public administration, social security and social organizations	11,600	0.19
Borrower G	Production and supply of power, heat, gas and water	11,119	0.18
Borrower H	Manufacturing	10,757	0.18
Borrower I	Manufacturing	10,086	0.17
Borrower J	Transportation, logistics and postal services	8,903	0.15
Total		**133,642**	**2.20**

As at 30 June 2012, the total loans granted to the largest single borrower and top ten borrowers accounted for 2.96% and 16.32% of our regulatory capital, respectively, which were in compliance with the regulatory requirements.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	30 June 2012 Amount	30 June 2012 Percentage (%)	31 December 2011 Amount	31 December 2011 Percentage (%)
Normal	5,687,558	93.54	5,226,690	92.86
Special mention	308,038	5.07	314,657	5.59
Non-performing loans	84,508	1.39	87,358	1.55
Substandard	29,832	0.49	31,115	0.55
Doubtful	45,072	0.74	47,082	0.84
Loss	9,604	0.16	9,161	0.16
Total	**6,080,104**	**100.00**	**5,628,705**	**100.00**

As at 30 June 2012, the balance of our non-performing loans was RMB84,508 million, representing a decrease of RMB2,850 million compared to the end of the previous year. Non-performing loan ratio decreased by 0.16 percentage point to 1.39%. The balance of special mention loans was RMB308,038 million, representing a decrease of RMB6,619 million compared to the end of the previous year. Special mention loans accounted for 5.07% of total loans, representing a decrease of 0.52 percentage point.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

Item	30 June 2012 Amount	30 June 2012 Percentage (%)	30 June 2012 NPL ratio (%)	31 December 2011 Amount	31 December 2011 Percentage (%)	31 December 2011 NPL ratio (%)
Corporate loans	72,728	86.1	1.71	75,931	86.9	1.90
Short-term corporate loans	35,710	42.3	1.88	32,990	37.8	1.94
Medium- and long-term corporate loans	37,018	43.8	1.58	42,941	49.1	1.87
Discounted bills	18	—	0.01	31	—	0.03
Retail loans	11,547	13.7	0.75	11,176	12.8	0.78
Residential mortgage loans	3,668	4.3	0.39	4,058	4.6	0.46
Personal consumption loans	812	1.0	0.53	628	0.7	0.44
Loans to private businesses	2,117	2.5	1.23	2,285	2.6	1.45
Credit card overdraft	1,240	1.5	0.99	848	1.0	0.85
Loans to rural households	3,170	3.8	2.20	2,674	3.1	1.99
Others	540	0.6	17.01	683	0.8	26.49
Overseas and others	215	0.3	0.15	220	0.3	0.21
Total	**84,508**	**100.0**	**1.39**	**87,358**	**100.0**	**1.55**

As at 30 June 2012, the balance of corporate non-performing loans was RMB72,728 million, representing a decrease of RMB3,203 million over the end of the previous year, and non-performing loan ratio of corporate loans decreased by 0.19 percentage point to 1.71%. The balance of retail non-performing loans increased by RMB371 million to RMB11,547 million over the end of the previous year, and non-performing loan ratio of retail loans decreased by 0.03 percentage point to 0.75%.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

	30 June 2012			31 December 2011		
Item	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Head Office	2	—	—	2	—	—
Yangtze River Delta	15,953	18.9	1.00	14,880	17.0	0.98
Pearl River Delta	11,443	13.5	1.32	11,860	13.6	1.47
Bohai Rim	14,036	16.6	1.31	14,808	17.0	1.49
Central China	11,937	14.1	1.61	13,109	14.9	1.93
Northeastern China	4,504	5.3	1.96	4,195	4.8	2.04
Western China	26,418	31.3	1.99	28,284	32.4	2.30
Overseas and others	215	0.3	0.15	220	0.3	0.21
Total	**84,508**	**100.0**	**1.39**	**87,358**	**100.0**	**1.55**

In the first half of 2012, the balances of non-performing loans in Western China, Central China and Bohai Rim decreased by RMB1,866 million, RMB1,172 million and RMB772 million, respectively. Non-performing loan ratios decreased by 0.31, 0.32 and 0.18 percentage point over the end of the previous year, respectively.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2012			31 December 2011		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Manufacturing	28,750	39.5	2.23	26,790	35.4	2.23
Production and supply of power, heat, gas and water	9,365	12.9	1.96	10,704	14.1	2.37
Real estate	5,118	7.0	1.11	6,161	8.1	1.24
Transportation, logistics and postal services	6,818	9.4	1.41	7,485	9.9	1.63
Wholesale and retail	10,009	13.8	2.37	9,112	12.0	2.34
Water, environment and public utilities management	2,058	2.8	1.05	2,693	3.5	1.48
Construction	1,120	1.5	0.58	1,466	1.9	0.87
Mining	438	0.6	0.25	617	0.8	0.42
Leasing and commercial services	2,260	3.1	0.80	2,684	3.5	1.04
Information transmission, software and IT services	197	0.3	1.33	175	0.2	1.20
Others	6,595	9.1	2.60	8,044	10.6	3.71
Total	**72,728**	**100.0**	**1.71**	**75,931**	**100.0**	**1.90**

Both of non-performing loans and non-performing loan ratios in major industries decreased. The balances of non-performing loans decreased relatively significantly in the following industries: (1) production and supply of power, heat, gas and water, (2) real estate, and (3) transportation, logistics and postal services, which decreased by RMB1,339 million, RMB1,043 million and RMB667 million, respectively.

Changes to Allowance for Impairment Losses on Loans

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
At 1 January 2012	54,024	175,818	229,842
Net (reversals)/additions	(1,134)	23,950	22,816
— Additions	7,843	41,061	48,904
— Reversals	(8,977)	(17,111)	(26,088)
Write-offs	(2,036)	(40)	(2,076)
Transfer-in/out			
— Recovery of loans and advances to customers written off in previous periods	7	9	16
— Unwinding of discount on allowance	(208)	(44)	(252)
— Exchange difference	1	17	18
At 30 June 2012	**50,654**	**199,710**	**250,364**

As at 30 June 2012, the balance of allowance for impairment losses on loans amounted to RMB250,364 million, representing an increase of RMB20,522 million over the end of the previous year. Specifically, the balance of allowance for impairment losses on a collectively assessed basis amounted to RMB199,710 million, increased by RMB23,892 million over the end of the previous year; the balance of allowance for impairment losses on an individually assessed basis was RMB50,654 million, decreased by RMB3,370 million over the end of the previous year. The ratio of allowance to non-performing loans increased by 33.16 percentage points over the end of the previous year to 296.26%, and the ratio of allowance to total loans was 4.12%, in compliance with regulatory requirements. Our ability to withstand risks was further enhanced.

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 comprises interest rate risk, exchange rate risk, stock price risk and commodity price risk. The Bank is exposed to market risk, mainly including interest rate risk and exchange rate risk.

During the reporting period, the market risk management policy system was improved by formulating and implementing various systems and measures including market risk management policy for treasury transaction and investment, administrative measure for the valuation of treasury transaction and investment, and administrative measure for the impairment test of financial assets, which specified the principles and control objectives of the risk management of treasury transaction and investment business and regulated the management of fair value valuation and procedures of impairment test for financial assets, respectively. We sped up the construction of information system for market risk management, successfully implemented the standardized approach for market risk measurement, and further enhanced our capabilities of market risk measurement, monitoring and reporting. We made steady progress in the development of IMA for market risk, completed the development of the interface between data warehouse and calculation engine of IMA, and finished the compilation of the demands of IMA regulatory capital measurement, economic capital measurement, reporting system and risk management of counterparties.

Separation of Trading Book and Banking Book

To enhance the effectiveness of the market risk management and the accuracy of the measurement of regulatory capital for market risk, the Bank classified all of the on- and off-balance-sheet assets and liabilities into either trading book or banking book. Trading book covers the financial instruments and commodities positions held for trading or hedging purposes. Any other positions are classified in the banking book.

Market Risk Management for Trading Book

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

During the reporting period, we formulated the market risk management policy for treasury transaction of 2012, further clarified the principles and risk control indicators for the business development in the financial market. We also strengthened the risk monitoring and adopted diversified risk measurement approaches for wealth management business, separated the risks between our proprietary treasury operations and wealth management products, and regulated the procedures of business operation and approval.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

Interest rate risk refers to the risk causing loss to our income or economic value arising from adverse movements of the statutory or market interest rates. The interest rate risk of the banking book of the Bank mainly arises from a mismatch of the maturity or re-pricing dates of interest rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based.

In the first half of 2012, we closely monitored the macro-economic situation and the monetary policies of the PBOC. We also analyzed the movements of market interest rates from time to time, flexibly adjusted the pricing strategies of all assets and liabilities businesses, accelerated the construction of interest rate risk management system for banking book, and refined the long-term effective interest rate risk control mechanism for banking book.

During the reporting period, we regularly measured and analyzed the interest rate risk by carrying out gap analysis, sensitivity analysis, scenario analysis and stress testing to control the exposure of interest rate risk within an acceptable scope.

Exchange Rate Risk Management

Exchange rate risk refers to the risk due to mismatches in the currencies in which the assets and liabilities are denominated. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the structural exchange rate risk caused by structural assets and liabilities, which is difficult to be mitigated in operations.

In the first half of 2012, we actively adjusted and optimized the total amount and structure of foreign currency-denominated assets and liabilities through various assets and liabilities management measures. We also strengthened the measurement and monitoring of exchange rate risk, kept our exposure of the exchange rate risk within a reasonable scope by controlling risk limits, maintaining balanced development of foreign currency-denominated deposit and loan businesses and other measures.

Market Risk Exposure Limit Management

In the first half of 2012, we further enhanced the market risk exposure limit management. We set exposure limits according to our risk appetite and tolerance. We also refined the categorization of market risk exposure limits and monitored the implementation of risk exposure limits regularly. During the reporting period, we implemented market risk exposure limits effectively without any occasion where the limits were exceeded.

Interest Rate Risk Analysis

As at 30 June 2012, the accumulative negative gap sensitive to interest rate due within one year amounted to RMB45,595 million, representing a decrease of RMB214,231 million in absolute terms 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 2012	(1,903,392)	772,079	1,085,718	(45,595)	(402,765)	1,031,087	3,476
31 December 2011	(2,112,076)	556,224	1,296,026	(259,826)	(192,349)	997,038	(21,778)

Note: Please refer to "Note 45 to the Financial Statements: Financial Risk Management — Market Risk" for details.

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2012		31 December 2011	
	Movements in net interest income	Movements in equity	Movements in net interest income	Movements in equity
Increased by 100 basis points	(7,735)	(14,845)	(10,745)	(14,471)
Decreased by 100 basis points	7,735	15,816	10,745	15,391

The above interest rate sensitivity analysis shows the movements in net interest income and equity under different interest rates, assuming that there is a parallel shift in the yield curve, and without taking into account any risk management measures adopted by the management to reduce interest rate risk.

Based on our assets and liabilities at 30 June 2012, net interest income will decrease (or increase) by RMB7,735 million if interest rates instantaneously increase (or decrease) by 100 basis points. Our equity will decrease by RMB14,845 million if interest rates instantaneously increase by 100 basis points, or increase by RMB15,816 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 2012, the average exchange rate of RMB depreciated against USD by 240 basis points accumulatively. As at 30 June 2012, our net foreign exchange exposure of financial assets/liabilities amounted to USD830 million, representing a decrease of USD3,564 million compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2012		31 December 2011	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	(16,744)	(2,647)	1,056	168
Net foreign exchange exposure of overseas financial assets/liabilities	21,995	3,477	26,632	4,226
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	5,251	830	27,688	4,394

Note: Please refer to "Note 45 to the Financial Statement: Financial Risk Management — Market Risk" for details.

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 2012	Impact on profit before tax 31 December 2011
USD	+1%	(159)	76
	-1%	159	(76)
HKD	+1%	(42)	(11)
	-1%	42	11

Liquidity Risk

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

Liquidity Risk Management

In the first half of 2012, the PBOC released liquidity in the market by reducing the statutory deposit reserve ratio and conducting open market operations. We closely monitored the changes of policies and market, promptly adjusted our liquidity management strategy, and focused on preventing liquidity risks at special times, such as holidays and tax payment dates, while enhancing daily control on liquidity risk. We put efforts into marketing for deposits and maintaining smooth financing channels in the market in order to maintain healthy liquidity and stable liability. We improved the measures and policies under the centralized fund management system by amending the fund management measures and liquidity contingency plan. We established a monitoring, assessment and warning mechanism of liquidity risk, and strengthened the liquidity management function of the new-generation Asset and Liability Management System to enhance electronic application in liquidity risk management.

Liquidity Risk Analysis

In the first half of 2012, the domestic economy of China remained generally stable with slowdown pressure as the recovery of global economy and the European debt crisis were subject to various challenges. In the first half of the year, the statutory deposit reserve ratio was reduced twice and the interest rate was reduced one time by the PBOC, and various open market operations, including reverse repurchases, were conducted. Meanwhile, the periodical liquidity strain and adequacy took place by turns in the inter-bank market and the market interest rate was volatile.

We closely monitored the changes in monetary policies and the growth of deposits and loans, and reinforced the forecast and control on capital flow to improve the perspective of liquidity management. We rationalized the maturity structure of investment and financing, and improved the efficiency of our fund operations while ensuring the overall liquidity of the Bank through various measures, such as monitoring significant changes of large-amount funds, allocating investment and commercial financing business reasonably, and controlling debts with high interest rates. As a result, the liquidity and profitability of our funds were both achieved and the liquidity position of the Bank was secured and controllable.

Liquidity Gap Analysis

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

In millions of RMB

	Past due/ undated	On demand	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
30 June 2012	2,150,433	(6,246,037)	421,519	176,443	500,922	840,950	2,741,973	586,203
31 December 2011	2,115,981	(6,071,724)	101,585	(118,808)	812,393	1,085,901	2,597,757	523,085

Note: Please refer to "Note 45 to the Financial Statements: Financial Risk Management — Liquidity Risk" for details.

We assessed liquidity risk through liquidity gap analysis. The positive gap within 1 month enlarged, and the gap within 1 to 3 months turned from negative to positive, mainly due to the reason that we properly increased some liquid assets such as financial assets held under resale agreements so as to maintain sufficient short term liquidity and ensure the overall liquidity of the Bank.

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 system related factors, or from external affairs, including legal risk, but not including strategy risk or reputation risk.

In the first half of 2012, the Bank continued to implement the AMA for operational risk. We collected the loss data according to the requirements of AMA and set standards for the loss data to form a solid data base for the implementation of AMA. We formulated administrative measures on operational risk assessment, optimized and promoted the assessment tools, established a regular operational risk assessment system, specified the division of assessment duties, regulated assessment tools and methods, which further improved our capabilities of detecting potential defects, estimating risks and optimizing controlling measures. We further enhanced the system of key risk indicators, set specific warning limits for certain indicators and refined and adjusted the key risk indicators. Our business continuity management was standardized at all branches and business and technology contingency plans were integrated effectively by implementing business continuity administrative measures, stipulating the standards, framework and basic workflow of business continuity management of the Bank, and conducting policies streamline, business operation effects analysis and planning revision. In addition, we issued the rules on regulatory capital measurement for operational risk, defined and standardized the methods and procedures for regulatory capital measurement to improve the prudence and accuracy of capital measurement. We refined the economic capital measurement scheme, which covered various business lines including corporate banking, retail banking and agency service, and involved all levels of units from head office to county branches, by optimizing the adjusted parameters of the economic capital of operational risk based on the evaluation of internal control, operational risk management level and key risk indicators. We enhanced the operational risk management effectively at all levels by imposing capital constraints.

Legal Risk Management

Legal risk refers to any risk of the Bank suffering from adverse consequences including legal liabilities, loss of rights and reputational damage due to the breach of laws, administrative rules and regulations, or terms of contracts in its business operations, the unfavourable terms of contracts and failure to exercise rights or external legal factors. Legal risk includes risks directly resulted from legal factors, as well as legal risks associated with other forms of risks.

In the first half of 2012, we continued to reinforce legal risk management and further improved the mechanisms which addressed compliance review, contract management and handling of legal risk events. We promoted the legal risk manuals of six aspects of operations, including corporate governance, corporate loans, retail loans, bank cards, electronic banking and asset disposal to all relevant staff as important guidelines to identify and prevent risks. We prepared annual compliance review and analysis reports by departments to develop a feedback mechanism on legal compliance, amended and refined the contract management basic system, formulated the 2011 Legal Risk Report to guide legal risk management. We also implemented the legal risk monitoring and reporting policy, strengthened the management and handling of major legal risk events and analyzed the problems reflected by such events in time.

Anti-Money Laundering

In the first half of 2012, we further improved the Anti-Money Laundering (AML) management system and performed our legal duties in respect of AML. We amended the AML regulations and policies, improved the AML system and regulated operational procedures. We advanced the development of the Risk Grading and Classification System of AML Customers to enhance customer identification and risk control capabilities. We promoted technological innovation, implemented stringent working procedures and exerted efforts to enhance the quality of reports on large-amount transactions and suspected transactions. We also implemented risk monitoring in a strict manner to fulfill our legal duties on anti-terrorism financing. We actively assisted the competent authorities in AML investigations, fulfilled our AML duties globally and took an initiative role in combating illegal activities including money laundering and terrorism financing within and outside China.

Consolidated Management

In the first half of 2012, we continued to refine the policies, organizational framework and relevant measures of the consolidated management. We issued the *Opinions on Strengthening Consolidated Risk Management* to streamline the working mechanism and management scope of consolidated risk management and improve the monitoring, reporting and information disclosure in relation to such risk. We strengthened the large risk exposure management at group level and formulated the *Implementation Rules on Consolidated Management of Large Credit Risk Exposure of Agricultural Bank of China* to specify credit risk limit control, monitoring, reporting and handling of large credit risks exposure. We further standardized the data reporting by the consolidated entities, and gradually promoted the construction of relevant information systems pursuant to the internal and external regulatory requirements.

Reputation Risk Management

Reputation risk refers to the risk resulting from negative feedback from related stakeholders due to the operation, management or other acts of the Bank or external events.

We have placed reputation risk management under the corporate governance and comprehensive risk management system. We refined the reputation risk management mechanism and formulated regulations and measures on reputation risk management. We improved our capability of addressing reputation risk events to minimize loss towards the Bank resulting from reputation risk.

During the reporting period, we enhanced the reputation risk monitoring and reporting system, extended the monitoring scope and increased the frequency of monitoring and reporting of reputation events. We set up a contingency team and refined the contingency mechanism for reputation events, formulated contingency plans for each major potential reputation risk, specified the responsibilities of the departments involved in the process. We also carried out research on reputation risk in the Internal Capital Adequacy Assessment Process, specified the identification procedures and measurement standards for reputation risk, and promoted the measurement and standardized management of reputation risk.

Capital Management

During the reporting period, we implemented the basic principles of capital management and the objectives of capital adequacy ratio management in accordance with the capital planning for 2010–2012, monitored the capital adequacy in a timely manner and prudently managed and controlled our capital application. During the reporting period, the CBRC issued the *Regulation Governing Capital of Commercial Banks (Provisional)*. We conducted thorough evaluation on its effects and actively carried out all preparations for its implementation. As at 30 June 2012, our capital adequacy ratio maintained within the planned range and complied with the regulatory requirements.

We were dedicated to setting up a capital-saving development model to achieve higher return on capital, maximizing the return of our capital resources and realizing the growth of our shareholders' value. During the reporting period, we formulated the Economic Capital Allocation Policy for 2012, which established a value-creation-oriented allocation mechanism of economic capital. We aimed at reinforcing capital constraint and increasing return on capital, fully utilized advanced measurement methods of economic capital, further reinforced the linkage between capital allocation and efficiency, and transformed the business growth mode. In addition, we promoted the ICAAP and developed an application platform for the enhancement of our economic capital allocation. We targeted to optimize our return on economic capital and maximize economic value added through refining our business and products portfolio continuously based on economic capital management.

Capital Adequacy Ratio

We followed the *Administrative Measures for the Capital Adequacy Ratio of Commercial Banks* promulgated by the CBRC and related regulatory requirements on calculation and disclosure of the capital adequacy ratio. As at 30 June 2012, our capital adequacy ratio and core capital adequacy ratio were 12.02% and 9.65%, increased by 0.08 and 0.15 percentage point compared to the end of the previous year, respectively.

Capital Adequacy Ratio

In millions of RMB

Item	30 June 2012	31 December 2011
Core capital:		
Share capital	324,794	324,794
Reserves[1]	334,491	282,508
Minority interests	362	187
Total core capital	659,647	607,489
Supplementary capital:		
General allowance for impairment loss on loans	60,801	56,287
Long-term subordinated bonds	100,000	100,000
Cumulative gain in fair value	2,724	725
Total supplementary capital	163,525	157,012
Total capital base before deductions	823,172	764,501
Deductions:		
Equity investments which are not consolidated	1,314	1,359
Other deductible items[2]	3,176	132
Total capital base after deductions	818,682	763,010
Risk-weighted assets and market risk capital adjustment	6,809,391	6,388,375
Core capital adequacy ratio	**9.65%**	**9.50%**
Capital adequacy ratio	**12.02%**	**11.94%**

Notes:
1. *Cash dividends estimated to be paid were deducted from reserves.*
2. *Investments in real properties not used by the owners were deducted in accordance with the Administrative Measures for the Capital Adequacy Ratio of Commercial Banks.*

Changes in Share Capital

Details of changes in share capital

Unit: Share

	31 December 2011		Increase/decrease during the reporting period (+/-)			30 June 2012	
	Number of shares	Percentage (%)	New shares issued	Others[3]	Subtotal	Number of shares	Percentage (%)
1) Shares subject to restrictions on sales[1]	**273,598,823,404**	**84.2**	**—**	**-5,114,117,500**	**-5,114,117,500**	**268,484,705,904**	**82.7**
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]	5,114,117,500	1.5	—	-5,114,117,500	-5,114,117,500	—	—
3. Shares held by foreign investors[2]	—	—	—	—	—	—	—
2) Shares not subject to restrictions on sales	**51,195,293,596**	**15.8**	**—**	**5,114,117,500**	**5,114,117,500**	**56,309,411,096**	**17.3**
1. RMB-denominated ordinary shares	20,456,470,500	6.3	—	5,114,117,500	5,114,117,500	25,570,588,000	7.9
2. Foreign-invested shares listed overseas[2]	30,738,823,096	9.5	—	—	—	30,738,823,096	9.5
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 which is managed by the SSF. "Shares held by other domestic investors" refers to the shares held by strategic investors of A shares and the allottees of A shares under off-line placement. "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 (2007 Revision) of the CSRC.

3. "Others" refers to the shares held by strategic investors of A shares which were released from restrictions on sales due to the expiry of the lock-up period. 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	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]	5,114,117,500	5,114,117,500	—	—	Restrictions upon issuance	15 January 2012
Total	**273,598,823,404**	**5,114,117,500**	**—**	**268,484,705,904**	**—**	**—**

Notes: 1. Refers to the shares held by the SSF and the shares held by the SSF-Account III for state-owned shares transfer pursuant to the requirements of state-owned shares transfer.

2. The lock-up period of 50% of 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% of shares was 18 months from the listing date of A shares.

Particulars of Shareholders

Number of shareholders and particulars of shareholding

As of 30 June 2012, the Bank had a total of 344,501 shareholders, including 30,304 H share shareholders and 314,197 A share shareholders.

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

Unit: Share

Name of shareholders	Nature of shareholders	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Total number of shareholders	**344,501** (as set out in the registers of shareholders of A shares and H shares as of 30 June 2012)					
Particulars of shareholding of the top 10 shareholders (the data below are based on the registers of shareholders as of 30 June 2012)						
Huijin	State-owned	A shares	40.13	130,347,041,046	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	Overseas legal entity	H shares	8.99	29,193,295,091	—	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	1.38	4,489,829,320	—	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	—	Unknown
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	0.37	1,195,593,892	—	None
Hwabao Trust Co., Ltd. — Single Unit Trust Fund R2008ZX013	Other	A shares	0.34	1,105,576,095	—	None
Sino Life Insurance Company Limited — Traditional — Ordinary Insurance Products	Other	A shares	0.30	960,506,177	—	None

Note: All the shares held by the Hong Kong Securities Clearing Company Nominees Limited represent the total number of H shares held by it as an agent on behalf of all institutional and individual investors registered with it as of 30 June 2012.

Apart from the SSF-Account III for state-owned shares transfer which is managed by the SSF, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Unit: Share

Particulars of shareholding of the top 10 shareholders not subject to the restrictions on sales
(the data below are based on the registers of shareholders as of 30 June 2012)

Name of shareholders	Number of shares not subject to restrictions on sales	Type of shares
Hong Kong Securities Clearing Company Nominees Limited	29,193,295,091	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	4,489,829,320	A shares
Standard Chartered Bank	1,217,281,000	H shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,195,593,892	A shares
Hwabao Trust Co., Ltd. — Single Unit Trust Fund R2008ZX013	1,105,576,095	A shares
Sino Life Insurance Company Limited — Traditional — Ordinary Insurance Products	960,506,177	A shares
State Grid Yingda International Holdings Group Limited	746,268,000	A shares
China Shuangwei Investment Corporation	746,268,000	A shares
China Railway Construction Investment Company	742,974,000	A shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance Policy with High Interest Rate	656,936,059	A shares

Apart from Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products and Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance Policy with High Interest Rate which are managed by Ping An Life Insurance Company of China, Ltd., the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Shareholdings of substantial shareholders

During the reporting period, the Bank's substantial shareholders and the 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 2012, 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 investment in accordance with *the Company Law of the People's Republic of China* 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 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.

Huijin had implemented its plan of increasing its shareholding in the Bank through the trading system of the Shanghai Stock Exchange since 10 October 2011. At the end of the reporting period, Huijin had cumulatively increased its shareholding in the Bank's A shares by 347,041,046, accounting for approximately 0.11% of the total issued shares of the Bank. As of 30 June 2012, Huijin held 130,347,041,046 shares of the Bank, accounting for 40.13% of the total share capital of the Bank.

As of 30 June 2012, there was no other corporate shareholder who held 10% or more of the equity interest in the Bank.

Interests and short positions held by substantial shareholders and other persons

As of 30 June 2012, the Bank received notifications from the following persons regarding their interests and short positions in shares or underlying shares of the Bank. Such interests and short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Underlying interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/ nominee[1]	138,682,352,926 (A shares)[2]	Long position	47.16	42.70
Huijin	Beneficial owner	130,000,000,000 (A shares)[3]	Long position	44.21	40.03
Qatar Investment Authority	Interests of controlled entity[4]	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	3,733,632,000 (H shares)	Long position	12.15	1.15
JPMorgan Chase & Co.	Investment manager	2,140,875,779 (H shares)	Long position	6.96	0.66
		151,774,742 (H shares)	Short position	0.49	0.05
		566,195,958 (H shares)	Lending pool	1.84	0.17
Citigroup Inc.	Investment manager	2,053,405,868 (H shares)	Long position	6.68	0.63
		335,542,071 (H shares)	Short position	1.09	0.10
		1,775,305,885 (H shares)	Lending pool	5.78	0.55

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

2. According to the register of shareholders of the Bank as of 30 June 2012, the MOF held 127,361,764,737 A shares of the Bank, accounting for 43.31% of the issued A shares and 39.21% of the total issued shares of the Bank.

3. According to the register of shareholders of the Bank as of 30 June 2012, Huijin held 130,347,041,046 A shares of the Bank, accounting for 44.33% of the issued A shares and 40.13% of the total issued shares of the Bank.

4. 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

As at the date of the interim results announcement for the six months ended 30 June 2012, the composition of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank is as follows:

The Board of Directors of the Bank consisted of twelve members, including two Executive Directors, namely Mr. JIANG Chaoliang and Mr. ZHANG Yun; six Non-executive Directors, namely Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng and Mr. ZHAO Chao; 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 six members, including two Supervisors Representing Shareholders, namely Mr. CHE Yingxin and Mr. LIU Hong; and four Supervisors Representing Employees, namely Mr. JIA Xiangsen, Mr. WANG Yurui, Mr. YAN Chongwen and Mr. ZHENG Xin.

The Senior Management of the Bank consisted of six members, namely Mr. ZHANG Yun, Mr. GUO Haoda, Mr. CAI Huaxiang, Mr. GONG Chao, Mr. WANG Wei and Mr. LI Zhenjiang.

As at 30 June 2012, except for Mr. ZHENG Xin (Supervisor) who held 500,000 A shares of the Bank, none of the Directors, Supervisors and members of the Senior Management held shares of the Bank. During the reporting period, none of the Directors, Supervisors and members of the Senior Management traded shares, or held share options or were granted restricted shares of the Bank.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 16 January 2012, Mr. JIANG Chaoliang was elected as Executive Director of the Bank at the first Extraordinary General Meeting for 2012 and was elected as Chairman of the Board of Directors at the second meeting of the Board of Directors for 2012. The qualification of Mr. JIANG was approved by the CBRC on the same day.

On 16 January 2012, Mr. ZHANG Yun was re-elected as Executive Director of the Bank at the first Extraordinary General Meeting for 2012 and was re-elected as Vice Chairman of the Board of Directors at the second meeting of the Board of Directors for 2012.

On 16 January 2012, Mr. YANG Kun was re-elected as Executive Director of the Bank, Mr. SHEN Bingxi, Mr. LIN Damao and Mr. CHENG Fengchao were re-elected as Non-executive Directors of the Bank, and Mr. Anthony WU Ting-yuk and Mr. QIU Dong were re-elected as Independent Non-executive Directors of the Bank at the first Extraordinary General Meeting for 2012.

On 16 January 2012, Mr. XIAO Shusheng and Mr. ZHAO Chao were elected as Non-executive Directors of the Bank at the first Extraordinary General Meeting for 2012. The qualifications of Mr. XIAO and Mr. ZHAO were approved by the CBRC on 29 February 2012.

On 16 January 2012, Mr. ZHANG Guoming and Ms. XIN Baorong ceased to act as Non-executive Directors of the Bank due to the expiry of their terms.

On 8 June 2012, Mr. PAN Gongsheng resigned as Executive Director of the Bank due to the need of state financial work.

On 13 July 2012, Mr. YANG Kun resigned as Executive Director of the Bank due to his incapability of performing duties as a result of personal circumstances.

Changes in Supervisors

On 16 January 2012, Mr. CHE Yingxin was re-elected as Supervisor Representing Shareholders of the Bank at the first Extraordinary General Meeting for 2012 and was re-elected as Chairman of the Board of Supervisors of the Bank at the second meeting of the Board of Supervisors for 2012.

On 16 January 2012, Mr. LIU Hong was elected as Supervisor Representing Shareholders of the Bank at the first Extraordinary General Meeting for 2012.

On 16 January 2012, Mr. PAN Xiaojiang ceased to act as Supervisor Representing Shareholders of the Bank due to the expiry of his term.

Changes in Senior Management

On 11 January 2012, Mr. ZHU Hongbo resigned as Executive Vice President of the Bank due to his work arrangement.

On 16 January 2012, Mr. GONG Chao was appointed as Executive Vice President of the Bank at the second meeting of the Board for 2012. The qualification of Mr. GONG was approved by the CBRC on 16 March 2012.

On 8 June 2012, Mr. PAN Gongsheng resigned as Executive Vice President of the Bank.

On 13 July 2012, Mr. YANG Kun resigned as Executive Vice President of the Bank.

Corporate Governance

During the reporting period, we strictly complied with the laws, regulations and normative documents of the regulatory authorities including the *Company Law of the People's Republic of China* and the *Commercial Banking Law of the People's Republic of China*. We continued to enhance our corporate governance and operation capability by strengthening the basics of management.

During the reporting period, we started to amend the Articles of Association and amended the *Administrative Measures for Insider Information and Insiders of Agricultural Bank of China Limited* pursuant to the regulatory requirements. In addition, the personnel of the special committees under the Board of Directors were adjusted accordingly after the re-election of the Board of Directors, and the work for election of new Independent Non-executive Directors has commenced. During the reporting period, we carried out self-assessment and rectification to enhance compliance level and further improve the internal supervision and corporate governance mechanism.

Internal Control

During the reporting period, the Bank promoted the implementation of the *Basic Rules on Enterprise Internal Control* and its implementation measures to further improve the internal control systems with the main sub-systems, including "an organization system, a regulation system, a quality management system and an internal supervision system". The Bank introduced the *Administrative Measures on Rectification Work of Agricultural Bank of China*, with the aim to adopt comprehensive quality management. The Bank continuously carried out risk inspection on cases and enhanced the monitoring and inspection over major areas, businesses and procedures. The Bank improved the information system for internal control and compliance management, strengthened off-site monitoring and promoted compliance culture.

Internal Audit

During the reporting period, the Bank concentrated on risk audit, carried out accountability audits on senior management members of the branches, conducted audits on our overseas institutions and completed specific audits on IT equipment and resources and interbank refinancing business. We achieved successful results in audit quality control, audit compliance as well as the establishment of infrastructure, organization and team of the audit system.

Corporate Governance Code

The new *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules came into force on 1 April 2012 following an extensive review of the old *Code on Corporate Governance Practices* by the Hong Kong Stock Exchange at the end of 2011.

During the period between 1 January 2012 and 31 March 2012, we complied with all the principles and code provisions stipulated in the old *Code on Corporate Governance Practices*. During the period between 1 April 2012 and 30 June 2012, we complied with all the principles and code provisions stipulated in the new *Corporate Governance Code*.

General Meetings of Shareholders

During the reporting period, we held one annual general meeting and one extraordinary general meeting, at which nineteen proposals were considered and approved and two reports were reviewed. The relevant details are set out as follows:

On 16 January 2012, we held our first Extraordinary General Meeting for 2012 in Beijing, at which twelve proposals in relation to matters including the election of Mr. JIANG Chaoliang as Executive Director, the election of Mr. ZHANG Yun as Executive Director and the election of Mr. CHE Yingxin as Supervisor Representing Shareholders of the Bank, were considered and approved. The announcement on the poll results of the first Extraordinary General Meeting for 2012 was published on the website of the Hong Kong Stock Exchange on 16 January 2012, and in our designated newspapers for information disclosure and the website of the Shanghai Stock Exchange on 17 January 2012.

On 8 June 2012, we held our Annual General Meeting for 2011 in Beijing, at which seven proposals in relation to matters including the final financial accounts for 2011, the profit distribution plan for 2011 and the final emoluments plan for Directors and Supervisors for 2011, were considered and approved. In addition, the work report of Independent Non-executive Directors for 2011 and the report on the implementation of the Plan on the Authorization of Shareholders' General Meeting to the Board of Directors for 2011 were reviewed. The announcement on the poll results of the Annual General Meeting for 2011 was published on the website of the Hong Kong Stock Exchange on 8 June 2012, and in our designated newspapers for information disclosure and the website of the Shanghai Stock Exchange on 9 June 2012.

Profits and Dividends Distribution

As approved by the Annual General Meeting for 2011, the cash dividend for 2011 of the Bank was paid to holders of A shares and holders of H shares whose names appeared on the Bank's register of shareholders at the close of business on 19 June 2012. The cash dividend was RMB1.315 per ten shares (including tax), aggregating RMB42,710 million (including tax). The Bank does not propose to pay any interim dividend for 2012 and will not increase share capital by capitalizing its capital reserve.

Implementation of the Cash Dividend Policy

The formulation and implementation of the Bank's cash dividend policy complies with its Articles of Association and the resolutions of the shareholders' general meeting. The relevant decision making procedure and system are complete, and Independent Non-executive Directors have performed their duties diligently and played their roles effectively. The legitimate interests of minority shareholders have been fully protected. During the reporting period, the Bank's cash dividend policy remained unchanged.

Material Legal Proceedings and Arbitration

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

As of 30 June 2012, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB3,605 million. The management of the Bank believe that we have fully accrued provisions 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.

Major Asset Acquisition, Disposal and Merger

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

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Use of Proceeds

The proceeds of the Bank's 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 with Non-raised Funds

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

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 were 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 or entrusted loans occurred in the Bank.

Occupation of Fund by Controlling Shareholders and Other Related Parties

None of our controlling shareholders or other related parties 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 2012, the commitments of our shareholders were performed.

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

Mr. YANG Kun is assisting relevant PRC authorities in their investigation. He resigned as our Executive Director and Executive Vice President on 13 July 2012.

Purchase, Sale or Redemption of the Bank's Shares

During the reporting period, the Bank and its subsidiaries did not purchase, sell or redeem any of the listed shares of the Bank.

Implementation of Share Incentive Plan

During the reporting period, the Bank did not implement any share incentive plan.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions 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 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirm that they have complied with such code of conduct during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of 30 June 2012, the Bank had not granted any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any of such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to obtain benefits by means of acquiring shares or debentures of the Bank or any other corporations.

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

As of 30 June 2012, Mr. ZHENG Xin, Supervisor of the Bank, held 500,000 A Shares of the Bank. Save for the above, 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.

Interim Review

The 2012 Interim Financial Information prepared by the Bank in accordance with CASs and IFRSs were reviewed by Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu in accordance with the PRC and International Standards on Review Engagements, respectively.

Our interim report has been reviewed and approved by the Board of Directors and the Audit Committee of the Board of Directors 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	148,701,666	17.92	115,337,752	—	—	Interests in associates	Takeover of secured equity for debt
MA	Master Card Incorporated	10,573,299	0.01	100,967,748	—	12,506,319	Available-for-sale financial assets	Investment of self-owned capital
V	Visa Inc.	15,385,851	0.03	43,230,743	—	8,431,864	Available-for-sale financial assets	Investment of self-owned capital

Notes: 1. The shares of listed companies specified above are recognized as interests in associates 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 shares
China UnionPay 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

Trading of Shares of Other Listed Companies

Number of shares held at the beginning of the reporting period (shares)	Number of shares bought during the reporting period (shares)	Number of shares sold during the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Capital used (RMB Yuan)	Investment return incurred (RMB Yuan)
49,070,000	—	49,070,000	—	—	(296,244)

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 88 to 171, 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 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. 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

29 August 2012

Condensed Consolidated Income Statement

For the six months ended 30 June 2012
(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
		2012	**2011**
	Notes	**(Unaudited)**	**(Unaudited)**
Interest income	5	278,257	216,952
Interest expense	5	(110,572)	(72,222)
Net interest income	5	167,685	144,730
Fee and commission income	6	40,146	38,176
Fee and commission expense	6	(1,217)	(1,040)
Net fee and commission income	6	38,929	37,136
Net trading gain	7	1,681	660
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	8	(125)	32
Net gain/(loss) on investment securities		39	(99)
Other operating income, net	9	2,571	2,174
Operating income		210,780	184,633
Operating expenses	10	(84,006)	(71,273)
Impairment losses on assets	11	(22,772)	(27,697)
Profit before tax		104,002	85,663
Income tax expense	12	(23,480)	(18,984)
Profit for the period		80,522	66,679
Attributable to:			
Equity holders of the Bank		80,499	66,667
Non-controlling interests		23	12
		80,522	66,679
Earnings per share attributable to the equity holders of the Bank (Expressed in RMB yuan per share)			
— Basic	14	0.25	0.21

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2012 (Unaudited)	**2011 (Unaudited)**
Profit for the period	80,522	66,679
Other comprehensive income/(expense):		
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the period	5,334	(2,427)
— amount reclassified to the profit or loss upon disposal/impairment	(22)	129
Income tax impact	(1,317)	573
Foreign currency translation differences	79	(142)
Other comprehensive income/(expense), net of tax	4,074	(1,867)
Total comprehensive income for the period	84,596	64,812
Total comprehensive income attributable to:		
Equity holders of the Bank	84,573	64,800
Non-controlling interests	23	12
	84,596	**64,812**

Condensed Consolidated Statement of Financial Position

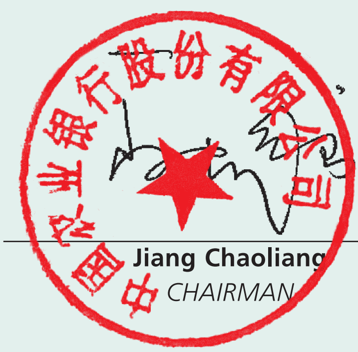
At 30 June 2012
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Assets			
Cash and balances with central banks	15	2,544,878	2,487,082
Deposits with banks and other financial institutions	16	347,130	131,874
Placements with banks and other financial institutions	17	140,404	212,683
Financial assets held for trading	18	14,236	15,589
Financial assets designated as at fair value through profit or loss	19	82,769	52,463
Derivative financial assets	20	6,886	8,524
Financial assets held under resale agreements	21	986,699	529,440
Loans and advances to customers	22	5,829,740	5,398,863
Available-for-sale financial assets	23	640,962	651,198
Held-to-maturity investments	24	1,247,436	1,178,888
Debt securities classified as receivables	25	731,791	729,914
Interests in associates		116	134
Property and equipment		128,797	131,815
Deferred tax assets	26	51,988	45,698
Other assets	27	147,580	103,412
Total assets		12,901,412	11,677,577
Liabilities			
Borrowings from central bank		66	50
Deposits from banks and other financial institutions	28	914,552	615,281
Placements from banks and other financial institutions	29	119,095	108,955
Financial liabilities held for trading	30	2,482	353
Financial liabilities designated as at fair value through profit or loss	31	114,999	208,057
Derivative financial liabilities	20	7,991	10,284
Financial assets sold under repurchase agreements	32	13,566	92,079
Due to customers	33	10,604,586	9,622,026
Debt securities issued	34	137,274	119,390
Deferred tax liabilities	26	32	27
Dividends payable		42,710	—
Other liabilities	35	252,233	251,287
Total liabilities		12,209,586	11,027,789

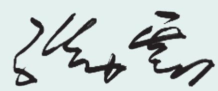
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Equity			
Share capital	36	324,794	324,794
Capital reserve	37	98,773	98,773
Investment revaluation reserve	38	5,319	1,324
Surplus reserve	39	29,509	29,509
General reserve	40	75,331	64,854
Retained earnings		158,398	131,086
Foreign currency translation reserve		(660)	(739)
Equity attributable to equity holders of the Bank		691,464	649,601
Non-controlling interests		362	187
Total equity		691,826	649,788
Total equity and liabilities		12,901,412	11,677,577

The condensed consolidated financial statements on pages 88 to 171 were approved and authorised for issue by the Board of Directors on 29 August 2012 and are signed on its behalf by:



Jiang Chaoliang
CHAIRMAN



Zhang Yun
EXECUTIVE DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012
(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 2012 (Audited)		324,794	98,773	1,324	29,509	64,854	131,086	(739)	649,601	187	649,788
Profit for the period		—	—	—	—	—	80,499	—	80,499	23	80,522
Other comprehensive income		—	—	3,995	—	—	—	79	4,074	—	4,074
Total comprehensive income for the period		—	—	3,995	—	—	80,499	79	84,573	23	84,596
Capital contribution		—	—	—	—	—	—	—	—	152	152
Appropriation to general reserve	40	—	—	—	—	10,477	(10,477)	—	—	—	—
Dividends recognised as distribution	13	—	—	—	—	—	(42,710)	—	(42,710)	—	(42,710)
As at 30 June 2012 (Unaudited)		**324,794**	**98,773**	**5,319**	**29,509**	**75,331**	**158,398**	**(660)**	**691,464**	**362**	**691,826**
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		—	—	—	—	6,401	(6,401)	—	—	—	—
Dividends recognised as distribution		—	—	—	—	—	(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
Profit for the period		—	—	—	—	—	55,260	—	55,260	17	55,277
Other comprehensive income/(expenses)		—	—	5,220	—	—	—	(211)	5,009	—	5,009
Total comprehensive income/(expenses) for the period		—	—	5,220	—	—	55,260	(211)	60,269	17	60,286
Appropriation to surplus reserve		—	—	—	12,267	—	(12,267)	—	—	—	—
Appropriation to general reserve		—	—	—	—	118	(118)	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(7)	(7)
As at 31 December 2011 (Audited)		**324,794**	**98,773**	**1,324**	**29,509**	**64,854**	**131,086**	**(739)**	**649,601**	**187**	**649,788**

For the six months ended 30 June 2012
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		104,002	85,663
Adjustments for:			
Amortisation of intangible assets and other assets		933	806
Depreciation of property and equipment		6,425	5,592
Impairment losses on assets		22,772	27,697
Interest income arising from investment securities		(47,640)	(39,371)
Interest income arising from impaired financial assets		(252)	(331)
Interest expense on subordinated bonds issued		2,290	1,075
Net (gain)/loss on investment securities		(39)	37
Dividend income arising from investment securities		(4)	—
Net gain on disposal of property, equipment and other assets		(88)	(132)
Net foreign exchange (gain)/loss		(195)	2,483
Operating cash flows before movements in working capital		88,204	83,519
Net increase in balances with central banks, deposits with banks and other financial institutions		(86,650)	(305,850)
Net decrease/(increase) in placements with banks and other financial institutions		8,680	(11,627)
Net increase in loans and advances to customers		(450,522)	(427,172)
Net increase in borrowings from central bank		16	—
Net increase in placements from banks and other financial institutions		10,140	16,329
Net increase in due to customers and deposits from banks and other financial institutions		1,299,708	936,023
(Increase)/decrease in other operating assets		(157,549)	15,492
(Decrease)/increase in other operating liabilities		(155,412)	98,224
Cash generated from operations		556,615	404,938
Income tax paid		(47,479)	(23,444)
NET CASH FROM OPERATING ACTIVITIES		509,136	381,494
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		394,735	459,398
Cash received from interest income arising from investment securities		36,025	36,516
Cash received from other investing activities		558	330
Cash paid for purchase of investment securities		(439,204)	(469,019)
Cash paid for purchase of property and equipment and other assets		(10,029)	(7,623)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(17,915)	19,602

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012
(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Notes	2012 (Unaudited)	2011 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from debt securities issued		—	49,950
Contribution from non-controlling interests		152	—
Cash payments for interest on subordinated bonds issued		(4,502)	(2,005)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(4,350)	47,945
NET INCREASE IN CASH AND CASH EQUIVALENTS		486,871	449,041
CASH AND CASH EQUIVALENTS AT 1 JANUARY		642,107	415,617
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(98)	(1,340)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**41**	**1,128,880**	**863,318**
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		222,082	171,486
Interest paid		(88,771)	(65,419)

1. GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") was transformed from the Agricultural Bank of China (the "Former Entity") which was a wholly state-owned commercial bank approved for set up by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). 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 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 principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise the provision of banking services, including Renminbi ("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". Branches and 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 International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011. The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatorily effective for the current interim period.

The directors considered that the application of the Amendments to IFRS 7 Disclosures — Transfers of Financial Assets will affect the Group's disclosures regarding transfers of financial assets in the annual financial statements for the year ending 31 December 2012. The adoption of new or revised IFRSs other than IFRS 7 had no material effect on the results, financial position and disclosures of the Group in the current and prior periods.

(Amounts in millions of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following amendments to standards that have been issued but not yet effective. The following amendments to standards have been issued after the date the consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issuance and are not yet effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

[1] *Effective for annual periods beginning on or after 1 January 2013.*

The directors anticipate that these amendments to standards will be applied in the Group's consolidated 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 2012:

Name of entity	Notes	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorised/ paid-in capital	Proportion of equity interest (%)	Proportion of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD2,913,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB2,000,000,000	100.00	100.00	Financial Leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,000	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB200,000,001	51.67	51.67	Fund Management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company		12 August 2008	Hubei, PRC	RMB20,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB20,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company	(1)	20 April 2012	Zhejiang PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company	(2)	24 May 2012	Fujian PRC	RMB100,000,000	51.00	51.00	Banking

(1) *During the current interim period, ABC Zhejiang Yongkang Rural Bank Limited Liability Company was authorised by the CBRC to carry out banking business. The Bank contributed RMB107,100,000 for 51% equity interest.*

(2) *During the current interim period, ABC Xiamen Tong'an Rural Bank Limited Liability Company was authorised by the CBRC to carry out banking business. The Bank contributed RMB51,000,000 for 51% equity interest.*

(Amounts in millions of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	Six months ended 30 June	
	2012	**2011**
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	138,731	111,814
Personal loans and advances	46,761	34,123
Discounted bills	4,764	2,788
Held-to-maturity investments	22,679	16,683
Balances with central banks	21,421	16,540
Available-for-sale financial assets	12,996	11,404
Financial assets held under resale agreements	12,624	10,189
Debt securities classified as receivables	11,965	11,284
Placements with banks and other financial institutions	3,534	1,128
Deposits with banks and other financial institutions	2,371	701
Financial assets held for trading	328	227
Financial assets designated as at fair value through profit or loss	83	71
Subtotal	278,257	216,952
Interest expense		
Due to customers	(92,462)	(62,560)
Deposits from banks and other financial institutions	(12,364)	(6,853)
Debt securities issued	(2,496)	(1,137)
Placements from banks and other financial institutions	(2,135)	(449)
Financial assets sold under repurchase agreements	(1,114)	(1,223)
Borrowings from central bank	(1)	—
Subtotal	(110,572)	(72,222)
Net interest income	167,685	144,730
Included in interest income is interest income accrued on impaired financial assets	252	331

(Amounts in millions of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2012	**2011**
Fee and commission income		
Settlement and clearing services	9,912	9,620
Agency services	9,715	7,059
Consultancy and advisory services	8,874	12,736
Bank card	6,974	4,554
Electronic banking services	2,528	1,932
Credit commitment	1,194	1,424
Custodian and other fiduciary services	722	541
Others	227	310
Subtotal	40,146	38,176
Fee and commission expense		
Settlement and clearing services	(492)	(427)
Bank card	(409)	(299)
Electronic banking services	(291)	(134)
Others	(25)	(180)
Subtotal	(1,217)	(1,040)
Total	**38,929**	**37,136**

7. NET TRADING GAIN

	Six months ended 30 June	
	2012	**2011**
Net gain on exchange rate derivatives	1,404	415
Net gain on interest rate derivatives	104	14
Net gain/(loss) on held-for-trading debt securities	86	(50)
Net gain on precious metals	87	281
Total	**1,681**	**660**

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

	Six months ended 30 June	
	2012	**2011**
Net gain/(loss) on debt securities	15	(61)
Net gain on financial guarantee contracts	428	154
Net loss on structured deposits	(806)	—
Others	238	(61)
Total	**(125)**	**32**

(Amounts in millions of Renminbi, unless otherwise stated)

9. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2012	**2011**
Net gain on foreign exchange	984	1,363
Gain on disposal of property and equipment	107	147
Others	1,480	664
Total	**2,571**	**2,174**

10. OPERATING EXPENSES

		Six months ended 30 June	
	Note	**2012**	**2011**
Staff costs	(1)	45,857	40,110
General operating and administrative expenses		17,558	14,721
Business tax and surcharges		12,539	10,190
Depreciation and amortisation		7,358	6,398
Others		694	(146)
Total		**84,006**	**71,273**

(1) Staff costs

	Six months ended 30 June	
	2012	**2011**
Salaries, bonuses, allowances and subsidies	31,155	28,073
Social insurance	6,854	5,672
Housing funds	2,810	2,357
Labour union fee and staff education expenses	1,382	1,219
Early retirement benefits	969	336
Others	2,687	2,453
Total	**45,857**	**40,110**

11. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2012	**2011**
Loans and advances to customers	22,816	27,652
Debt securities classified as receivables	30	—
Financial assets held under resale agreements	1	—
Held-to-maturity investments	(9)	(15)
Placements with banks and other financial institutions	(73)	—
Available-for-sale financial assets	(281)	(72)
Property and equipment	2	2
Other assets	286	130
Total	**22,772**	**27,697**

(Amounts in millions of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	**2011**
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	30,964	31,591
— Hong Kong Profits Tax	118	65
Subtotal	31,082	31,656
Deferred tax		
— Current period	(7,602)	(12,672)
Subtotal	(7,602)	(12,672)
Total	**23,480**	**18,984**

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

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

	Six months ended 30 June	
	2012	**2011**
Profit before tax	104,002	85,663
Tax calculated at applicable statutory tax rate of 25%	26,001	21,416
Tax effect of expenses not deductible for tax purpose	417	224
Tax effect of income not taxable for tax purpose[(1)]	(2,856)	(2,613)
Effect of different tax rates applied in other jurisdictions	(82)	(43)
Income tax expense	**23,480**	**18,984**

(1) Income not taxable for tax purpose represents interest income from treasury bonds.

13. DIVIDENDS

		Six months ended 30 June	
	Notes	**2012**	**2011**
Dividends recognised as distribution during the period			
Cash dividend for the year of 2011	(1)	42,710	—
Cash dividend for six months ended 31 December 2010	(2)	—	17,539
		42,710	17,539

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIVIDENDS (continued)

No dividends in respect of the period from 1 January to 30 June 2012 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2012.

(1) Distribution of final dividend for 2011

A cash dividend of RMB0.1315 per share for the year of 2011, amounting to RMB42,710 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 year of 2011 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 2012.

The above dividend had been recognised as dividends payable as at 30 June 2012.

(2) Distribution of final 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 under the PRC GAAP, at the annual general meeting held on 8 June 2011.

The above dividend had been recognised as distribution during the six-month period ended 30 June 2011.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2012	**2011**
Earnings:		
Profit for the period attributable to equity holders of the Bank	80,499	66,667
Number of shares:		
Number of shares in issue (million)	324,794	324,794
Basic earnings per share (RMB yuan)	0.25	0.21

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 2012	As at 31 December 2011
Cash		71,717	79,811
Mandatory reserve deposits with central banks	(1)	2,038,473	1,980,825
Surplus reserve deposits with central bank	(2)	162,206	129,378
Other deposits with central banks	(3)	272,482	297,068
Total		**2,544,878**	**2,487,082**

(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 2012, for Domestic Institutions of the Group which meet the requirements of "Notice on Differential Mandatory Reserve Deposits for the Experimental Branches of Agricultural Bank of China Limited for 2012" (Yinbanfa [2012] No.24) which was effective from 2012, RMB mandatory reserve deposits with the PBOC were based on 18% of eligible RMB deposits (31 December 2011: 19%), while for the remaining Domestic Institutions, RMB mandatory reserve deposits were based on 20% of eligible RMB deposits (31 December 2011: 21%). Foreign currency mandatory reserve deposits were based on 5% (31 December 2011: 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 deposits 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 2012	As at 31 December 2011
Deposits with:		
Domestic banks	182,908	88,221
Other domestic financial institutions	1,825	2,777
Overseas banks	162,461	40,940
Gross amount	347,194	131,938
Allowance for impairment losses — individually assessed	(64)	(64)
Deposits with banks and other financial institutions	**347,130**	**131,874**

As at 30 June 2012, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB1,452 million equivalent (31 December 2011: RMB3,163 million equivalent). These deposits were mainly pledged with overseas banks 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 2012	As at 31 December 2011
Placements with:		
Domestic banks	28,818	59,825
Other domestic financial institutions	78,320	117,704
Overseas banks	33,684	35,645
Gross amount	140,822	213,174
Allowance for impairment losses — collectively assessed	(418)	(491)
Placements with banks and other financial institutions	**140,404**	**212,683**

18. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2012	As at 31 December 2011
Debt securities issued by:		
Governments	2,023	1,931
Public sector and quasi-governments	2,443	4,469
Financial institutions	141	186
Corporations	9,629	9,003
Total	14,236	15,589
Analysed as:		
Listed in Hong Kong	3	16
Listed outside Hong Kong(1)	14,233	15,573
Total	**14,236**	**15,589**

(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 2012	As at 31 December 2011
Debt securities issued by:		
Governments	2,641	1,810
Public sector and quasi-governments	2,606	1,931
Financial institutions	8,263	8,599
Corporations	5,997	3,334
Credit notes issued by trust companies	47,701	36,593
Others	15,561	196
Total	82,769	52,463
Analysed as:		
Listed in Hong Kong	2,082	1,769
Listed outside Hong Kong(1)	5,280	3,057
Unlisted	75,407	47,637
Total	**82,769**	**52,463**

(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 2012		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Currency rate derivatives			
Currency forwards	193,928	2,466	(2,410)
Currency swaps	233,072	1,355	(1,265)
Cross-currency interest rate swaps	19,069	1,535	(2,162)
Currency options	171	1	(2)
Subtotal		5,357	(5,839)
Interest rate derivatives			
Interest rate swaps	230,547	1,514	(2,152)
Precious metal contracts	1,867	15	—
Total derivative financial assets and liabilities		**6,886**	**(7,991)**

	As at 31 December 2011		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Currency rate derivatives			
Currency forwards	247,419	3,262	(3,351)
Currency swaps	99,953	645	(1,000)
Cross-currency interest rate swaps	10,543	2,040	(2,957)
Subtotal		5,947	(7,308)
Interest rate derivatives			
Interest rate swaps	259,701	2,215	(2,976)
Precious metal contracts	5,789	362	—
Total derivatives financial assets and liabilities		**8,524**	**(10,284)**

(Amounts in millions of Renminbi, unless otherwise stated)

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2012	As at 31 December 2011
Analysed by collateral type:		
Securities	666,903	357,266
Bills	316,886	169,228
Loans and advances to customers	2,916	2,951
Gross amount	986,705	529,445
Allowance for impairment losses — collectively assessed	(6)	(5)
Financial assets held under resale agreements	986,699	529,440

22. LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	As at 30 June 2012	As at 31 December 2011
Corporate loans and advances		
Loans	4,394,919	4,093,224
Discounted bills	135,945	104,681
Subtotal	4,530,864	4,197,905
Personal loans and advances	1,549,240	1,430,800
Gross loans and advances	6,080,104	5,628,705
Individually assessed	(50,654)	(54,024)
Collectively assessed	(199,710)	(175,818)
Allowance for impairment losses	(250,364)	(229,842)
Loans and advances to customers	5,829,740	5,398,863

(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 2012						
Gross loans and advances	5,995,596	11,547	72,961	84,508	6,080,104	1.39
Allowance for impairment losses	(192,665)	(7,045)	(50,654)	(57,699)	(250,364)	
Loans and advances to customers	**5,802,931**	**4,502**	**22,307**	**26,809**	**5,829,740**	
At 31 December 2011						
Gross loans and advances	5,541,347	11,176	76,182	87,358	5,628,705	1.55
Allowance for impairment losses	(169,493)	(6,325)	(54,024)	(60,349)	(229,842)	
Loans and advances to customers	**5,371,854**	**4,851**	**22,158**	**27,009**	**5,398,863**	

(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 2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	54,024	175,818	229,842
Impairment allowances on loans charged to profit or loss	7,843	41,061	48,904
Reversal of impairment allowances	(8,977)	(17,111)	(26,088)
Net (reversals)/additions	(1,134)	23,950	22,816
Write-offs	(2,036)	(40)	(2,076)
Recovery of loans and advances written off in previous years	7	9	16
Unwinding of discount on allowance	(208)	(44)	(252)
Exchange difference	1	17	18
As at 30 June	**50,654**	**199,710**	**250,364**

(Amounts in millions of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

	Year ended 31 December 2011		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	58,501	110,232	168,733
Impairment allowances on loans charged to profit or loss	11,696	84,078	95,774
Reversal of impairment allowances	(15,484)	(18,190)	(33,674)
Net (reversals)/additions	(3,788)	65,888	62,100
Write-offs	(216)	(67)	(283)
Recovery of loans and advances written off in previous years	10	9	19
Unwinding of discount on allowance	(437)	(68)	(505)
Exchange difference	(46)	(176)	(222)
As at 31 December	**54,024**	**175,818**	**229,842**

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	As at 30 June 2012	As at 31 December 2011
Debt securities issued by:			
Governments		235,845	316,514
Public sector and quasi-governments		253,798	193,304
Financial institutions		28,065	22,585
Corporations		122,887	117,610
Subtotal		640,595	650,013
Equity instruments		367	1,185
Available-for-sale financial assets		640,962	651,198
Analysed as:			
Available-for-sale debt securities			
Listed in Hong Kong		6,628	4,133
Listed outside Hong Kong	(1)	627,571	641,931
Unlisted		6,396	3,949
Equity instruments and fund investments			
Listed in Hong Kong		—	838
Listed outside Hong Kong		125	125
Unlisted	(2)	242	222
Total		**640,962**	**651,198**

(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 2012	As at 31 December 2011
Debt securities issued by:		
Governments	512,940	585,132
Public sector and quasi-governments	599,369	478,452
Financial institutions	21,321	25,224
Corporations	114,071	90,400
Gross amount	1,247,701	1,179,208
Individually assessed	(2)	(61)
Collectively assessed	(263)	(259)
Allowance for impairment losses	(265)	(320)
Held-to-maturity investments	1,247,436	1,178,888
Analysed as:		
Listed in Hong Kong	920	916
Listed outside Hong Kong[1]	1,241,804	1,168,681
Unlisted	4,712	9,291
Total	**1,247,436**	**1,178,888**

(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 2012	As at 31 December 2011
Receivable from the MOF	(1)	440,000	474,083
Special government bond	(2)	93,300	93,300
PBOC's designated bills		53,227	52,325
Public sector and quasi-governments bonds		50,001	20,000
PBOC's special bills		29,738	29,222
Financial institution bonds		27,525	26,314
Corporate bonds		19,657	10,376
Certificate treasury bonds and savings treasury bonds		18,875	24,796
Gross amount		732,323	730,416
Individually assessed		(51)	(51)
Collectively assessed		(481)	(451)
Allowance for impairment losses		(532)	(502)
Debt securities classified as receivables		731,791	729,914

(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 MOF, 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 TAXATION

For the purpose of presentation on 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 2012	As at 31 December 2011
Deferred tax assets	51,988	45,698
Deferred tax liabilities	(32)	(27)
	51,956	45,671

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 2012	36,035	3,248	5,411	699	300	(22)	45,671
Credit/(charge) to profit or loss	6,894	(108)	1,068	72	(318)	(6)	7,602
Charge to other comprehensive income	—	—	—	—	(1,317)	—	(1,317)
As at 30 June 2012	**42,929**	**3,140**	**6,479**	**771**	**(1,335)**	**(28)**	**51,956**

	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	14,400	(95)	1,298	(108)	(76)	59	15,478
Charge to other comprehensive income	—	—	—	—	(1,195)	—	(1,195)
As at 31 December 2011	**36,035**	**3,248**	**5,411**	**699**	**300**	**(22)**	**45,671**

(Amounts in millions of Renminbi, unless otherwise stated)

27. OTHER ASSETS

	Note	As at 30 June 2012	As at 31 December 2011
Interest receivable		64,627	48,655
Land use rights		23,606	23,986
Accounts receivable		19,116	5,473
Finance lease payment receivables	(1)	18,873	11,223
Intangible assets		1,848	1,744
Foreclosed assets		395	297
Others		19,115	12,034
Total		**147,580**	**103,412**

(1) Finance lease payment receivables

Minimum lease payments analysed by remaining maturity:

	As at 30 June 2012	As at 31 December 2011
Finance lease receivables comprise:		
Within 1 year	5,401	3,194
1 to 5 years	16,144	9,603
Above 5 years	952	747
Subtotal of minimum lease payments	22,497	13,544
Less: unearned finance income	(3,624)	(2,321)
Total	**18,873**	**11,223**

Present value of minimum lease payments analysed by remaining maturity:

	As at 30 June 2012	As at 31 December 2011
Finance lease receivables comprise:		
Within 1 year	4,073	2,374
1 to 5 years	13,916	8,174
Above 5 years	884	675
Total	**18,873**	**11,223**

(Amounts in millions of Renminbi, unless otherwise stated)

28. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2012	As at 31 December 2011
Deposits from:		
Domestic banks	348,789	226,573
Other domestic financial institutions	564,055	386,900
Overseas banks	1,062	1,604
Other overseas financial institutions	646	204
Total	**914,552**	**615,281**

29. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2012	As at 31 December 2011
Placements from:		
Domestic banks	73,090	45,931
Overseas banks	46,005	63,024
Total	**119,095**	**108,955**

30. FINANCIAL LIABILITIES HELD FOR TRADING

	As at 30 June 2012	As at 31 December 2011
Short position in gold	2,482	353

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

	Notes	As at 30 June 2012	As at 31 December 2011
Structured deposits	(1)	11,681	126,365
Principal guaranteed wealth management products	(2)	103,273	81,093
Financial guarantee agreements	(3)	45	599
Total		**114,999**	**208,057**

(Amounts in millions of Renminbi, unless otherwise stated)

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

(1) Structured deposits issued by the Group before 1 January 2012 were designated as financial liabilities at fair value through profit or loss in their entirety. Structured deposits issued after 1 January 2012 were not designated as financial liabilities at fair value through profit or loss. Embedded derivatives were separated from the structured deposits, if any and presented as derivative financial instruments separately in the condensed consolidated statement of financial position. The debt component of the structured deposits is included in amounts due to customers.

As at 30 June 2012, the fair value of structured deposits which were designated as at fair value through profit or loss by the Group were lower than the contractual amount payable to the holders of these structured deposits upon maturity by RMB110 million (31 December 2011: RMB1,491 million lower than the contractual amount).

(2) The Group designates the amounts received from the 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 2012, 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 RMB2,356 million (31 December 2011: RMB2,348 million lower than the contractual amount).

(3) Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. As the issuer of the financial guarantee, the Group designates such contracts as financial liabilities at fair value through profit or loss. As at 30 June 2012, the total notional amount of these contracts are RMB4,680 million (31 December 2011: RMB6,017 million).

For the six months ended 30 June 2012 and the year of 2011, 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 2012	**As at 31 December 2011**
Analysed by type of collateral:		
Bonds	10,070	84,576
Bills	3,496	7,503
Total	**13,566**	**92,079**

(Amounts in millions of Renminbi, unless otherwise stated)

33. DUE TO CUSTOMERS

	As at 30 June 2012	As at 31 December 2011
Demand deposits		
Corporate customers	2,662,623	2,639,856
Individual customers	3,004,057	2,818,538
Time deposits		
Corporate customers	1,234,274	1,032,314
Individual customers	3,159,030	2,807,779
Pledged deposits[1]	260,098	216,517
Others	284,504	107,022
Total	**10,604,586**	**9,622,026**

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

	As at 30 June 2012	As at 31 December 2011
Bank acceptances	81,693	78,644
Margin transaction	39,001	24,168
Guarantee and letters of guarantee	38,181	33,188
Letters of credit	30,422	30,422
Others	70,801	50,095
Total	**260,098**	**216,517**

34. DEBT SECURITIES ISSUED

	Notes	As at 30 June 2012	As at 31 December 2011
Subordinated bonds issued	(1)	99,929	99,922
Certificates of deposit issued	(2)	37,345	19,468
Total		**137,274**	**119,390**

(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 2012	As at 31 December 2011
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	50,000
Total nominal value		100,000	100,000
Less: Unamortised issuance cost		(71)	(78)
Carrying value		**99,929**	**99,922**

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 2012 and 31 December 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 2012	As at 31 December 2011
Interest payable		108,436	91,143
Staff costs payable	(1)	45,254	40,617
Clearing and settlement		43,316	44,384
Taxes payable		21,472	37,868
Business and other taxes payable		7,115	7,124
Provision		3,659	3,369
Amount payable to the MOF	(2)	2,790	3,057
Dormant accounts		2,212	2,274
Others		17,979	21,451
Total		**252,233**	**251,287**

(1) Staff costs payable

	Six months ended 30 June 2012			
	As at 1 January	Accrued	Paid	As at 30 June
Salaries, bonuses, allowances and subsidies	21,697	31,155	(26,919)	25,933
Social insurance	847	6,854	(6,308)	1,393
Housing funds	274	2,810	(2,605)	479
Labour union fees and staff education expenses	1,981	1,382	(687)	2,676
Early retirement benefits (i)	12,992	969	(1,403)	12,558
Others	2,826	2,687	(3,298)	2,215
Total	**40,617**	**45,857**	**(41,220)**	**45,254**

	2011			
	As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses, allowances and subsidies	16,521	52,308	(47,132)	21,697
Social insurance	848	11,788	(11,789)	847
Housing funds	302	5,134	(5,162)	274
Labour union fees and staff education expenses	1,556	2,353	(1,928)	1,981
Early retirement benefits (i)	13,371	2,714	(3,093)	12,992
Others	1,986	7,673	(6,833)	2,826
Total	**34,584**	**81,970**	**(75,937)**	**40,617**

(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 actuarial cost method.

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

	Six months ended 30 June	
	2012	**2011**
Interest cost	181	209
Actuarial loss recognised in the period	495	127
Past service cost	293	—
Total	**969**	**336**

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

	As at 30 June 2012	**As at 31 December 2011**
Discount rate	2.55%	2.94%
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

As at 30 June 2012 and 31 December 2011, the Group has no default on the above staff costs payables.

Salaries, bonuses, allowances and subsidies, retirement benefits and other social insurance are timely distributed and paid in accordance with the related laws and regulations and the Bank's policy.

(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 transferred non-performing assets by the Bank on behalf of the MOF.

(Amounts in millions of Renminbi, unless otherwise stated)

36. SHARE CAPITAL

The Bank was 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 2012 and the year ended 31 December 2011, there was no change in its share capital.

	As at 30 June 2012 and 31 December 2011	
	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 ordinary shares listed in Hong Kong. They are denominated in RMB, offered and traded in HKD.

As at 30 June 2012, 268,485 million A shares and none of the H shares of the Bank with par value of RMB1 per share were subject to lock-up restriction respectively (31 December 2011: 273,599 million A shares and none of the H shares, respectively).

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.

38. INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2012		
	Gross amount	**Tax effect**	**Net effect**
As at 1 January	1,805	(481)	1,324
Fair value changes on available-for-sale financial assets	5,334	(1,323)	4,011
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	(22)	6	(16)
As at 30 June	**7,117**	**(1,798)**	**5,319**

(Amounts in millions of Renminbi, unless otherwise stated)

38. INVESTMENT REVALUATION RESERVE (continued)

	2011		
	Gross amount	Tax effect	Net effect
As at 1 January	(2,885)	714	(2,171)
Fair value changes on available-for-sale financial assets	4,142	(1,058)	3,084
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	548	(137)	411
As at 31 December	**1,805**	**(481)**	**1,324**

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 and its subsidiaries did not appropriate its profit to discretionary surplus reserve for the current interim 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, domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserve.

For the six months ended 30 June 2012, the Group transferred RMB10,477 million (for the six months ended 30 June 2011: RMB6,401 million) to general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. The amount of general reserve of the Bank includes regulatory reserve appropriated by the Bank's overseas branches amounted to RMB67 million (for the six months ended 30 June 2011: RMB9 million).

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 2012	As at 30 June 2011
Cash	71,717	63,318
Balances with central banks	162,206	171,284
Deposits with banks and other financial institutions	217,485	71,876
Placements with banks and other financial institutions	49,197	222,149
Financial assets held under resale agreements	628,275	334,691
Total	**1,128,880**	**863,318**

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 condensed 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 2012											
External interest income	81,279	51,387	30,737	35,038	25,485	44,590	7,861	1,880	278,257	—	278,257
External interest expense	(7,816)	(26,824)	(14,689)	(20,872)	(15,473)	(18,397)	(5,511)	(990)	(110,572)	—	(110,572)
Inter-segment interest (expense)/income	(54,716)	11,320	4,890	13,035	11,197	10,499	3,809	(34)	—	—	—
Net interest income	18,747	35,883	20,938	27,201	21,209	36,692	6,159	856	167,685	—	167,685
Fee and commission income	3,599	8,999	5,981	5,683	6,459	7,759	1,262	404	40,146	—	40,146
Fee and commission expense	(142)	(211)	(219)	(230)	(144)	(218)	(53)	—	(1,217)	—	(1,217)
Net fee and commission income	3,457	8,788	5,762	5,453	6,315	7,541	1,209	404	38,929	—	38,929
Net trading gain	540	464	15	70	96	356	112	28	1,681	—	1,681
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	636	(505)	(85)	(80)	—	(67)	—	(24)	(125)	—	(125)
Net gain on investment securities	17	—	—	—	17	—	—	5	39	—	39
Other operating (expense)/income, net	(135)	503	311	259	287	682	80	584	2,571	—	2,571
Operating income	23,262	45,133	26,941	32,903	27,924	45,204	7,560	1,853	210,780	—	210,780
Operating expenses	(3,987)	(16,141)	(10,334)	(13,641)	(13,858)	(19,678)	(5,956)	(411)	(84,006)	—	(84,006)
Impairment losses on assets	(13)	(8,850)	(3,119)	(5,257)	(784)	(2,734)	(1,817)	(198)	(22,772)	—	(22,772)
Profit/(loss) before tax	19,262	20,142	13,488	14,005	13,282	22,792	(213)	1,244	104,002	—	104,002
Income tax expense											(23,480)
Profit for the period											80,522
Depreciation and amortisation included in operating expenses	(582)	(1,375)	(835)	(1,109)	(1,275)	(1,610)	(553)	(19)	(7,358)	—	(7,358)
Capital expenditure	627	400	235	555	257	680	122	4,532	7,408	—	7,408
As at 30 June 2012											
Segment assets	3,517,856	2,765,775	1,697,321	2,170,674	1,863,364	2,546,530	610,249	246,196	15,417,965	(2,568,541)	12,849,424
Including: Interests in associates	—	—	—	—	116	—	—	—	116	—	116
Unallocated assets											51,988
Total assets											12,901,412
Segment liabilities	(2,853,601)	(2,762,136)	(1,697,881)	(2,174,939)	(1,863,591)	(2,550,427)	(611,890)	(242,370)	(14,756,835)	2,568,541	(12,188,294)
Unallocated liabilities											(21,292)
Total liabilities											(12,209,586)
Credit commitments	45,359	448,958	247,225	344,107	184,706	257,860	53,948	32,428	1,614,591	—	1,614,591

(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 31 December 2011											
Segment assets	3,394,678	2,601,611	1,517,845	1,881,823	1,694,655	2,378,031	543,465	154,898	14,167,006	(2,535,127)	11,631,879
Including: Interests in associates	—	—	—	—	116	—	—	18	134	—	134
Unallocated assets											45,698
Total assets											11,677,577
Segment liabilities	(2,959,318)	(2,545,223)	(1,484,315)	(1,845,997)	(1,667,879)	(2,330,914)	(539,057)	(152,318)	(13,525,021)	2,535,127	(10,989,894)
Unallocated liabilities											(37,895)
Total liabilities											(11,027,789)
Credit commitments	43,153	452,774	248,205	358,714	215,809	286,097	52,006	31,086	1,687,844	—	1,687,844

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 and unallocated

Others and unallocated 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 2012

	Corporate banking	Personal banking	Treasury operations	Others and unallocated	Segment and consolidated total
External interest income	143,349	46,820	87,981	107	278,257
External interest expense	(40,433)	(63,076)	(7,047)	(16)	(110,572)
Inter-segment interest (expense)/income	(4,569)	73,321	(68,752)	—	—
Net interest income	98,347	57,065	12,182	91	167,685
Fee and commission income	20,470	19,284	—	392	40,146
Fee and commission expense	(541)	(650)	—	(26)	(1,217)
Net fee and commission income	19,929	18,634	—	366	38,929
Net trading gain	—	—	1,681	—	1,681
Net loss on financial instruments designated as at fair value through profit or loss	—	—	(113)	(12)	(125)
Net gain on investment securities	—	—	37	2	39
Other operating income, net	598	432	984	557	2,571
Operating income	118,874	76,131	14,771	1,004	210,780
Operating expenses	(29,706)	(44,334)	(9,596)	(370)	(84,006)
Impairment losses on assets	(13,170)	(9,758)	334	(178)	(22,772)
Profit before tax	75,998	22,039	5,509	456	104,002
Income tax expense					(23,480)
Profit for the period					80,522
Depreciation and amortisation included in operating expenses	(1,729)	(4,360)	(1,257)	(12)	(7,358)
Capital expenditure	1,639	4,434	1,335	—	7,408
As at 30 June 2012					
Segment assets	4,529,048	1,746,492	6,541,459	32,425	12,849,424
Including: Interests in associates	—	—	—	116	116
Unallocated assets					51,988
Total assets					12,901,412
Segment liabilities	(4,503,637)	(6,699,188)	(916,678)	(68,791)	(12,188,294)
Unallocated liabilities					(21,292)
Total liabilities					(12,209,586)
Credit commitments	1,325,739	288,852	—	—	1,614,591

(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 and unallocated	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 31 December 2011					
Segment assets	4,114,368	1,564,599	5,933,127	19,785	11,631,879
Including: Interests in associates	—	—	—	134	134
Unallocated assets					45,698
Total assets					11,677,577
Segment liabilities	(4,189,031)	(5,841,925)	(945,013)	(13,925)	(10,989,894)
Unallocated liabilities					(37,895)
Total liabilities					(11,027,789)
Credit commitments	1,406,720	281,124	—	—	1,687,844

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 aims to provide a broad range of financial products and services to customers in County Area through its operating branches in the counties or county-level cities throughout the PRC. The products and services comprise mainly loans, deposits, bank cards, and other types of 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 2012

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
External interest income	64,037	214,220	—	278,257
External interest expense	(38,201)	(72,371)	—	(110,572)
Inter-segment interest income/(expense)	41,426	(41,426)	—	—
Net interest income	67,262	100,423	—	167,685
Fee and commission income	14,342	25,804	—	40,146
Fee and commission expense	(436)	(781)	—	(1,217)
Net fee and commission income	13,906	25,023	—	38,929
Net trading gain	106	1,575	—	1,681
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	(223)	98	—	(125)
Net gain on investment securities	—	39	—	39
Other operating income, net	970	1,601	—	2,571
Operating income	82,021	128,759	—	210,780
Operating expenses	(36,965)	(47,041)	—	(84,006)
Impairment losses on assets	(11,648)	(11,124)	—	(22,772)
Profit before tax	33,408	70,594	—	104,002
Income tax expense				(23,480)
Profit for the period				80,522
Depreciation and amortisation included in operating expenses	(3,287)	(4,071)	—	(7,358)
Capital expenditure	2,093	5,315	—	7,408
As at 30 June 2012				
Segment assets	4,798,904	8,146,595	(96,075)	12,849,424
Including: Interests in associates	—	116	—	116
Unallocated assets				51,988
Total assets				12,901,412
Segment liabilities	(4,574,244)	(7,710,125)	96,075	(12,188,294)
Unallocated liabilities				(21,292)
Total liabilities				(12,209,586)
Credit commitments	348,137	1,266,454	—	1,614,591

(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 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 31 December 2011				
Segment assets	4,394,520	7,297,107	(59,748)	11,631,879
Including: Interests in associates	—	134	—	134
Unallocated assets				45,698
Total assets				11,677,577
Segment liabilities	(4,157,404)	(6,892,238)	59,748	(10,989,894)
Unallocated liabilities				(37,895)
Total liabilities				(11,027,789)
Credit commitments	356,666	1,331,178	—	1,687,844

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2012, the MOF directly owned 39.21% (31 December 2011: 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 2012	As at 31 December 2011
Treasury bonds and special government bond	616,244	589,784
Receivable from the MOF	440,000	474,083
Interest receivable from the MOF		
— treasury bonds and special government bond	8,656	6,229
— receivable from the MOF	2,340	2,711
Amount payable to the MOF	2,790	3,057
Deposits from the MOF	15,119	9,310
Interest payable to the MOF	11	12
Other liability — redemption of certificate treasury bonds on behalf of the MOF	1,229	770

	Six months ended 30 June	
	2012	2011
Interest income	17,450	18,177
Interest expense	71	52
Fee and commission income	3,741	1,340

Interest rate range during the periods are as follows:

	Six months ended 30 June	
	2012 %	2011 %
Treasury bonds	1.55 – 6.34	1.44 – 6.34
Deposits from the MOF	0.10 – 1.31	0.22 – 1.35

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

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (continued)

(2) 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 RMB828,209 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 2012, Huijin directly owned 40.13% (31 December 2011: 40.12%) 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 2012	As at 31 December 2011
Debt securities	11,252	11,261
Interest receivable from Huijin	347	134
Deposits from Huijin	3,062	2
Non-principal guaranteed wealth management products	—	10,028

	Six months ended 30 June	
	2012	2011
Interest income	214	294
Interest expense	8	41

Interest rate range during the periods are as follows:

	Six months ended 30 June	
	2012 %	2011 %
Debt securities	3.14 – 4.20	3.14 – 4.20
Deposits from Huijin	0.44 – 1.31	0.36 – 1.49

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (continued)

(3) The Bank and its associates

The Bank has entered into transactions with its associates, the entities that it does not control but exercises significant influence. 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 associates are not significant.

(4) The Group and other 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.

(5) 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.

(6) 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 2012	As at 31 December 2011
Due to customers	16,811	171
Financial liabilities at fair value through profit or loss	1,102	1,102
Non-principal guaranteed wealth management products	4,353	10,574

(Amounts in millions of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (continued)

(6) The Group and the Annuity Plan (continued)

	Six months ended 30 June	
	2012	**2011**
Interest expense	222	4
Net trading loss	36	4

Interest rate range during the periods are as follows:

	Six months ended 30 June	
	2012 %	**2011** %
Due to customers	0.44 – 6.20	0.36 – 1.49

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 2012, provisions of RMB1,721 million (31 December 2011: RMB1,953 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 2012	As at 31 December 2011
Contracted but not provided for	6,933	7,274
Authorised but not contracted for	1,451	1,510
Total	**8,384**	**8,784**

(Amounts in millions of Renminbi, unless otherwise stated)

44. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Credit commitments

	As at 30 June 2012	As at 31 December 2011
Loan commitments	615,506	796,913
— With an original maturity of less than 1 year	38,278	21,325
— With an original maturity of 1 year or above	577,228	775,588
Acceptances	409,052	346,048
Guarantee and letters of guarantee	231,011	223,389
Credit card commitments	187,120	161,187
Letters of credit	171,902	160,307
Total	**1,614,591**	**1,687,844**

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, guarantee and letters of guarantee or acceptances.

The notional amount of financial guarantee contracts of which the Group designated as financial liabilities at fair value through profit or loss is set out in note 31 (3).

Credit risk weighted amounts for credit commitments

	As at 30 June 2012	As at 31 December 2011
Credit commitments	816,936	821,838

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%.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Operating lease commitments

At the end of each reporting period, the Group, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 June 2012	As at 31 December 2011
Within 1 year	1,358	2,134
1 to 2 years	2,382	1,899
2 to 3 years	2,126	1,684
Above 3 years	6,180	5,071
Total	**12,046**	**10,788**

In the current interim period, minimum lease payments recognised as operating expense by the Group were RMB1,471 million (for the six months ended 30 June 2011: RMB1,188 million).

Finance lease commitments

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

	As at 30 June 2012	As at 31 December 2011
Contractual amount	491	566

Collateral

Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 30 June 2012	As at 31 December 2011
Bonds	10,111	83,645
Bills	3,493	7,496
Total	**13,604**	**91,141**

44. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Collateral (continued)

Assets pledged (continued)

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2012 was RMB13,566 million as set out in note 32 (31 December 2011: RMB92,079 million). All repurchase agreements are due within 12 months from the effective dates of these agreements.

In addition, the bonds and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral of derivative transactions by the Group as at 30 June 2012 amounted to RMB6,475 million in total (31 December 2011: RMB8,393 million).

Collateral accepted

The Group received securities or cash as collateral in connection with purchase of assets under resale agreements and security lending business. Part of the securities received can be resold or re-pledged. The fair value of these collateral as at 30 June 2012 was RMB17,381 million (31 December 2011: RMB13,281 million). Of this total, the fair value of collateral that the Group re-pledged but has an obligation to return, as at 30 June 2012, amounted to RMB3,679 million (31 December 2011: RMB7,471 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 2012, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB43,920 million (31 December 2011: RMB64,565 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 receivable, treasury operations and other 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 impairment assessment individually or collectively as appropriate. For available-for-sale debt securities, which are measured at fair value, the Group recognises prolonged decline in fair value below its 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 as well as off-balance sheet items such as derivatives, loan commitments, acceptances, guarantee and letters of guarantee and letters of credit also contain credit risk. The amount of derivatives subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets for which fair value is positive).

(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 2012	As at 31 December 2011
Balances with central banks	2,473,161	2,407,271
Deposits with banks and other financial institutions	347,130	131,874
Placements with banks and other financial institutions	140,404	212,683
Financial assets held for trading	14,236	15,589
Financial assets designated as at fair value through profit or loss	81,968	52,463
Derivative financial assets	6,886	8,524
Financial assets held under resale agreements	986,699	529,440
Loans and advances to customers	5,829,740	5,398,863
Available-for-sale financial assets	640,595	650,013
Held-to-maturity investments	1,247,436	1,178,888
Debt securities classified as receivables	731,791	729,914
Other financial assets	102,616	65,351
Subtotal	12,602,662	11,380,873
Off-balance sheet item		
Credit commitments	1,614,591	1,687,844
Total	**14,217,253**	**13,068,717**

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

- financial assets held under resale agreements 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 2012		As at 31 December 2011	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Head Office	105,293	2.3	91,053	2.2
Yangtze River Delta	1,154,977	25.5	1,092,186	26.0
Pearl River Delta	576,812	12.7	537,361	12.8
Bohai Rim	864,336	19.1	801,292	19.1
Central China	536,528	11.8	498,781	11.9
Western China	974,326	21.5	914,762	21.8
Northeastern China	171,127	3.8	156,680	3.7
Overseas and Others	147,465	3.3	105,790	2.5
Subtotal	4,530,864	100.0	4,197,905	100.0
Personal loans and advances				
Head Office	136	—	136	—
Yangtze River Delta	436,642	28.2	418,841	29.3
Pearl River Delta	287,741	18.6	271,354	19.0
Bohai Rim	209,903	13.5	195,257	13.6
Central China	203,044	13.1	179,834	12.6
Western China	352,993	22.8	315,971	22.1
Northeastern China	58,596	3.8	49,127	3.4
Overseas and Others	185	—	280	—
Subtotal	1,549,240	100.0	1,430,800	100.0
Gross loans and advances to customers	**6,080,104**		**5,628,705**	

(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 2012		As at 31 December 2011	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Manufacturing	1,333,030	29.4	1,231,718	29.3
Transportation, logistics and postal services	487,567	10.8	462,256	11.0
Production and supply of power, heat, gas and water	479,656	10.6	452,842	10.8
Real estate	474,996	10.55	05,607	12.0
Retail and wholesale	469,613	10.4	431,299	10.4
Leasing and commercial services	284,249	6.2	258,510	6.2
Water, environment and public utilities management	198,227	4.4	182,072	4.3
Construction	194,037	4.3	170,963	4.1
Mining	182,086	4.0	152,972	3.6
Information transmission, software and information technology services	14,903	0.3	14,667	0.3
Others	412,500	9.1	334,999	8.0
Subtotal	4,530,864	100.0	4,197,905	100.0
Personal loans and advances				
Residential mortgage	951,347	61.4	891,513	62.3
Personal business	171,933	11.1	157,604	11.0
Personal consumption	153,315	9.9	144,150	10.1
Credit card overdraft	125,235	8.1	100,350	7.0
Others	147,410	9.5	137,183	9.6
Subtotal	1,549,240	100.0	1,430,800	100.0
Gross loans and advances to customers	**6,080,104**		**5,628,705**	

(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 2012			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	586,232	297,580	435,818	1,319,630
Guaranteed loans	730,955	277,351	281,699	1,290,005
Loans secured by mortgage	942,587	572,870	1,230,415	2,745,872
Pledged loans	354,019	44,535	326,043	724,597
Total	**2,613,793**	**1,192,336**	**2,273,975**	**6,080,104**

	As at 31 December 2011			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	482,637	306,852	411,460	1,200,949
Guaranteed loans	703,752	272,300	286,351	1,262,403
Loans secured by mortgage	854,117	575,137	1,127,935	2,557,189
Pledged loans	267,710	46,275	294,179	608,164
Total	**2,308,216**	**1,200,564**	**2,119,925**	**5,628,705**

(4) *Past due loans*

	As at 30 June 2012				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,733	797	970	732	8,232
Guaranteed loans	6,531	2,801	5,188	7,910	22,430
Loans secured by mortgage	21,097	8,299	6,098	14,420	49,914
Pledged loans	604	710	647	2,471	4,432
Total	**33,965**	**12,607**	**12,903**	**25,533**	**85,008**

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.1 Credit risk (continued)

Loans and advances to customers (continued)

(4) Past due loans (continued)

	As at 31 December 2011				
	Up to 90 days	**91–360 days**	**361 days to 3 years**	**Over 3 years**	**Total**
Unsecured loans	3,633	1,040	524	877	6,074
Guaranteed loans	4,141	2,398	5,246	7,892	19,677
Loans secured by mortgage	17,715	4,215	8,206	13,637	43,773
Pledged loans	287	109	2,362	1,181	3,939
Total	**25,776**	**7,762**	**16,338**	**23,587**	**73,463**

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 2012**	**As at 31 December 2011**
Neither past due nor impaired	(i)	5,968,778	5,519,263
Past due but not impaired	(ii)	26,818	22,084
Impaired	(iii)	84,508	87,358
Subtotal		6,080,104	5,628,705
Allowance for impairment losses of loans and advances to customers		(250,364)	(229,842)
Loans and advances to customers		5,829,740	5,398,863

(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 2012		
	Normal	Special mention	Total
Corporate loans and advances	4,181,195	276,134	4,457,329
Personal loans and advances	1,506,391	5,058	1,511,449
Total	**5,687,586**	**281,192**	**5,968,778**

	As at 31 December 2011		
	Normal	Special mention	Total
Corporate loans and advances	3,834,687	286,594	4,121,281
Personal loans and advances	1,391,146	6,836	1,397,982
Total	**5,225,833**	**293,430**	**5,519,263**

(ii) Loans and advances past due but not impaired

	As at 30 June 2012				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	455	7	8	470	462
Personal loans and advances	20,146	4,177	2,025	26,348	25,746
Total	**20,601**	**4,184**	**2,033**	**26,818**	**26,208**

	As at 31 December 2011				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	429	9	5	443	288
Personal loans and advances	16,830	3,394	1,417	21,641	27,398
Total	**17,259**	**3,403**	**1,422**	**22,084**	**27,686**

(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 2012		
	Book value	Impairment allowance	Net book value
Individually assessed	72,961	(50,654)	22,307
Collectively assessed	11,547	(7,045)	4,502
Total	**84,508**	**(57,699)**	**26,809**

	As at 31 December 2011		
	Book value	Impairment allowance	Net book value
Individually assessed	76,182	(54,024)	22,158
Collectively assessed	11,176	(6,325)	4,851
Total	**87,358**	**(60,349)**	**27,009**

Including:

	As at 30 June 2012	As at 31 December 2011
Individually assessed and impaired	72,961	76,182
Individually assessed and impaired %	1.20%	1.35%
Fair value of collateral	7,132	6,272

(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 2012		As at 31 December 2011	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	2	—	2	—
Yangtze River Delta	15,953	18.9	14,880	17.0
Pearl River Delta	11,443	13.5	11,860	13.6
Bohai Rim	14,036	16.6	14,808	17.0
Central China	11,937	14.1	13,109	15.0
Western China	26,418	31.3	28,284	32.3
Northeastern China	4,504	5.3	4,195	4.8
Overseas and Others	215	0.3	220	0.3
Total	**84,508**	**100.0**	**87,358**	**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 2012 amounted to RMB11,953 million (31 December 2011: RMB9,934 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 2012	As at 31 December 2011
Neither past due nor impaired	(1)	2,696,394	2,620,914
Impaired	(2)	5,669	6,579
Subtotal		2,702,063	2,627,493
Individually assessed		(53)	(112)
Collectively assessed		(744)	(710)
Allowance for impairment losses		(797)	(822)
Debt securities and bills		**2,701,266**	**2,626,671**

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

	As at 30 June 2012				
	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	4,664	235,845	512,940	—	753,449
Public sector and quasi-government bonds	5,049	253,464	599,283	50,001	907,797
Financial institution bonds	8,404	23,336	20,861	27,525	80,126
Corporate bonds	15,626	122,884	114,071	19,600	272,181
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	440,000	440,000
Certificate treasury bonds and savings treasury bonds	—	—	—	18,875	18,875
PBOC's designated bills	—	—	—	53,227	53,227
PBOC's special bills	—	—	—	29,738	29,738
Credit notes issued by trust companies	47,701	—	—	—	47,701
Total	**81,444**	**635,529**	**1,247,155**	**732,266**	**2,696,394**

(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 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	3,741	316,514	585,132	—	905,387
Public sector and quasi-government bonds	6,400	192,830	478,314	20,000	697,544
Financial institution bonds	8,785	17,466	24,451	26,314	77,016
Corporate bonds	12,337	117,592	90,400	10,319	230,648
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	474,083	474,083
Certificate treasury bonds and savings treasury bonds	—	—	—	24,796	24,796
PBOC's designated bills	—	—	—	52,325	52,325
PBOC's special bills	—	—	—	29,222	29,222
Credit notes issued by trust companies	36,593	—	—	—	36,593
Total	**67,856**	**644,402**	**1,178,297**	**730,359**	**2,620,914**

Note: The amount in above are before deduction of provision of impairment loss which are collectively assessed.

(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 2012			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector and quasi-government bonds	334	86	—	420
Financial institution bonds	4,729	460	—	5,189
Corporate bonds	3	—	57	60
Gross amount	5,066	546	57	5,669
Allowance for impairment	—	(2)	(51)	(53)
Impaired debt securities	**5,066**	**544**	**6**	**5,616**

	As at 31 December 2011			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector and quasi-government bonds	474	138	—	612
Financial institution bonds	5,119	773	—	5,892
Corporate bonds	18	—	57	75
Gross amount	5,611	911	57	6,579
Allowance for impairment	—	(61)	(51)	(112)
Impaired debt securities	**5,611**	**850**	**6**	**6,467**

(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 2012					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	746,249	5,984	1,216	—	—	753,449
Public sector and quasi-government bonds	852,521	53,048	2,552	—	—	908,121
Financial institution bonds	4,228	56,249	8,369	13,016	2,978	84,840
Corporate bonds	10,787	237,270	18,012	1,853	4,093	272,015
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	440,000	—	—	—	—	440,000
Certificate treasury bonds and savings treasury bonds	18,875	—	—	—	—	18,875
PBOC's designated bills	53,227	—	—	—	—	53,227
PBOC's special bills	29,738	—	—	—	—	29,738
Credit notes issued by trust companies	47,701	—	—	—	—	47,701
Total	**2,296,626**	**352,551**	**30,149**	**14,869**	**7,071**	**2,701,266**

	As at 31 December 2011					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	901,954	2,612	537	284	—	905,387
Public sector and quasi-government bonds	647,334	49,831	454	254	194	698,067
Financial institution bonds	8,557	54,027	9,756	8,480	1,530	82,350
Corporate bonds	8,577	192,882	25,320	2,098	1,671	230,548
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	474,083	—	—	—	—	474,083
Certificate treasury bonds and savings treasury bonds	24,796	—	—	—	—	24,796
PBOC's designated bills	52,325	—	—	—	—	52,325
PBOC's special bills	29,222	—	—	—	—	29,222
Credit notes issued by trust companies	36,593	—	—	—	—	36,593
Total	**2,276,741**	**299,352**	**36,067**	**11,116**	**3,395**	**2,626,671**

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 current 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 2012							
	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	2,136,955	233,923	—	—	154,000	20,000	—	2,544,878
Deposits with banks and other financial institutions	—	188,484	52,430	83,887	22,329	—	—	347,130
Placements with banks and other financial institutions	—	—	56,011	14,955	68,991	447	—	140,404
Financial assets held for trading	—	—	1,084	1,555	7,267	2,810	1,520	14,236
Financial assets designated as at fair value through profit or loss	801	—	7,066	12,471	27,061	35,337	33	82,769
Derivative financial assets	—	22	277	807	1,898	1,601	2,281	6,886
Financial assets held under resale agreements	—	—	676,807	247,513	62,222	157	—	986,699
Loans and advances to customers	11,112	—	220,108	516,804	2,200,437	1,192,886	1,688,393	5,829,740
Available-for-sale financial assets	369	—	29,239	40,222	116,967	305,576	148,589	640,962
Held-to-maturity investments	—	—	20,290	61,599	193,620	568,848	403,079	1,247,436
Debt securities classified as receivables	6	—	4,416	38,698	54,312	57,360	576,999	731,791
Other financial assets	1,190	15,013	18,907	23,793	27,843	14,741	1,129	102,616
Total financial assets	2,150,433	437,442	1,086,635	1,042,304	2,936,947	2,199,763	2,822,023	12,675,547
Borrowings from central bank	—	(30)	—	—	(36)	—	—	(66)
Deposits from banks and other financial institutions	—	(352,946)	(40,181)	(41,308)	(209,215)	(270,896)	(6)	(914,552)
Placements from banks and other financial institutions	—	—	(61,919)	(29,875)	(25,001)	(2,202)	(98)	(119,095)
Financial liabilities held for trading	—	(2,482)	—	—	—	—	—	(2,482)
Financial liabilities designated as at fair value through profit or loss	—	(35)	(41,984)	(37,340)	(27,739)	(7,865)	(36)	(114,999)
Derivative financial liabilities	—	(5)	(265)	(834)	(1,591)	(2,098)	(3,198)	(7,991)
Financial assets sold under repurchase agreements	—	—	(12,289)	(1,230)	(47)	—	—	(13,566)
Due to customers	—	(6,264,427)	(491,586)	(737,561)	(2,104,010)	(1,005,479)	(1,523)	(10,604,586)
Subordinated debt securities issued	—	—	—	—	—	(24,991)	(74,938)	(99,929)
Other financial liabilities	—	(63,554)	(16,892)	(17,713)	(68,386)	(45,282)	(251)	(212,078)
Total financial liabilities	—	(6,683,479)	(665,116)	(865,861)	(2,436,025)	(1,358,813)	(80,050)	(12,089,344)
Net position	**2,150,433**	**(6,246,037)**	**421,519**	**176,443**	**500,922**	**840,950**	**2,741,973**	**586,203**

(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 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	2,103,893	209,189	—	—	154,000	20,000	—	2,487,082
Deposits with banks and other financial institutions	—	49,023	10,771	33,413	38,667	—	—	131,874
Placements with banks and other financial institutions	—	—	103,636	30,769	78,178	100	—	212,683
Financial assets held for trading	—	—	4,350	2,448	6,559	1,714	518	15,589
Financial assets designated as at fair value through profit or loss	—	177	669	6,147	24,184	21,220	66	52,463
Derivative financial assets	—	—	854	840	1,185	1,699	3,946	8,524
Financial assets held under resale agreements	—	—	288,648	144,191	96,453	148	—	529,440
Loans and advances to customers	10,117	—	314,824	490,170	1,807,731	1,195,469	1,580,552	5,398,863
Available-for-sale financial assets	1,188	—	8,657	34,967	193,928	268,421	144,037	651,198
Held-to-maturity investments	—	—	5,354	50,865	256,899	525,528	340,242	1,178,888
Debt securities classified as receivables	6	—	46	376	96,384	22,266	610,836	729,914
Other financial assets	777	3,296	12,312	15,834	23,037	8,532	1,563	65,351
Total financial assets	2,115,981	261,685	750,121	810,020	2,777,205	2,065,097	2,681,760	11,461,869
Borrowings from central bank	—	(30)	—	—	(20)	—	—	(50)
Deposits from banks and other financial institutions	—	(243,071)	(35,104)	(27,902)	(138,748)	(169,557)	(899)	(615,281)
Placements from banks and other financial institutions	—	—	(54,742)	(33,733)	(20,325)	(49)	(106)	(108,955)
Financial liabilities held for trading	—	(353)	—	—	—	—	—	(353)
Financial liabilities designated as at fair value through profit or loss	—	—	(122,123)	(38,935)	(40,228)	(6,704)	(67)	(208,057)
Derivative financial liabilities	—	—	(758)	(725)	(1,001)	(2,121)	(5,679)	(10,284)
Financial assets sold under repurchase agreements	—	—	(66,643)	(23,587)	(1,849)	—	—	(92,079)
Due to customers	—	(6,040,089)	(335,622)	(780,828)	(1,718,502)	(744,676)	(2,309)	(9,622,026)
Subordinated debt securities issued	—	—	—	—	—	(24,988)	(74,934)	(99,922)
Other financial liabilities	—	(49,866)	(33,544)	(23,118)	(44,139)	(31,101)	(9)	(181,777)
Total financial liabilities	—	(6,333,409)	(648,536)	(928,828)	(1,964,812)	(979,196)	(84,003)	(10,938,784)
Net position	**2,115,981**	**(6,071,724)**	**101,585**	**(118,808)**	**812,393**	**1,085,901**	**2,597,757**	**523,085**

(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:

	As at 30 June 2012							
	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	2,136,955	233,923	—	939	162,351	22,893	—	2,557,061
Deposits with banks and other financial institutions	—	188,484	52,830	84,950	23,118	—	—	349,382
Placements with banks and other financial institutions	—	—	56,362	15,764	70,559	482	—	143,167
Financial assets held for trading	—	—	1,088	1,573	7,625	3,279	1,716	15,281
Financial assets designated as at fair value through profit or loss	801	—	7,275	13,252	29,209	36,901	36	87,474
Financial assets held under resale agreements	—	—	677,989	251,524	63,576	164	—	993,253
Loans and advances to customers	49,170	—	239,732	553,874	2,301,120	1,598,246	2,860,726	7,602,868
Available-for-sale financial assets	369	—	30,638	45,290	133,274	352,408	173,563	735,542
Held-to-maturity investments	—	—	24,122	69,614	226,523	686,287	492,751	1,499,297
Debt securities classified as receivables	6	—	4,746	45,183	69,896	136,510	687,984	944,325
Other financial assets	310	15,013	3,277	800	5,117	16,144	952	41,613
Total non-derivative financial assets	2,187,611	437,420	1,098,059	1,082,763	3,092,368	2,853,314	4,217,728	14,969,263
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	(36)	—	—	(66)
Deposits from banks and other financial institutions	—	(352,946)	(40,634)	(43,239)	(226,405)	(323,265)	(7)	(986,496)
Placements from banks and other financial institutions	—	—	(61,959)	(29,996)	(25,096)	(2,250)	(103)	(119,404)
Financial liabilities held for trading	—	(2,482)	—	—	—	—	—	(2,482)
Financial liabilities designated as at fair value through profit or loss	—	(35)	(42,145)	(37,829)	(29,252)	(8,157)	(48)	(117,466)
Financial assets sold under repurchase agreements	—	—	(12,305)	(1,268)	(48)	—	—	(13,621)
Due to customers	—	(6,269,874)	(501,937)	(756,505)	(2,181,093)	(1,118,701)	(1,695)	(10,829,805)
Subordinated debt securities issued	—	—	—	—	(4,515)	(40,456)	(87,538)	(132,509)
Other financial liabilities	—	(59,569)	(8,014)	(1,996)	(25,325)	(9,246)	(259)	(104,409)
Total non-derivative financial liabilities	—	(6,684,936)	(666,994)	(870,833)	(2,491,770)	(1,502,075)	(89,650)	(12,306,258)
Net position	**2,187,611**	**(6,247,516)**	**431,065**	**211,930**	**600,598**	**1,351,239**	**4,128,078**	**2,663,005**

(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 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	2,103,893	209,189	—	1,005	162,346	22,893	—	2,499,326
Deposits with banks and other financial institutions	—	49,024	10,946	34,053	39,661	209	—	133,893
Placements with banks and other financial institutions	—	—	104,044	31,603	80,769	113	—	216,529
Financial assets held for trading	—	—	4,362	2,494	6,834	1,924	599	16,213
Financial assets designated as at fair value through profit or loss	—	177	805	6,587	25,587	22,595	67	55,818
Financial assets held under resale agreements	—	—	290,158	146,667	99,216	162	—	536,203
Loans and advances to customers	46,990	—	335,776	526,596	1,993,761	1,562,977	2,624,386	7,090,486
Available-for-sale financial assets	1,188	—	9,244	37,596	211,330	314,819	168,126	742,303
Held-to-maturity investments	—	—	6,536	56,002	290,875	624,375	420,610	1,398,398
Debt securities classified as receivables	6	—	46	4,289	116,162	104,313	736,405	961,221
Other financial assets	229	3,294	1,065	408	2,929	9,644	1,448	19,017
Total non-derivative financial assets	2,152,306	261,684	762,982	847,300	3,029,470	2,664,024	3,951,641	13,669,407
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	(20)	—	—	(50)
Deposits from banks and other financial institutions	—	(243,213)	(35,725)	(31,098)	(146,469)	(199,518)	(903)	(656,926)
Placements from banks and other financial institutions	—	—	(54,838)	(33,894)	(20,888)	(54)	(111)	(109,785)
Financial liabilities held for trading	—	(353)	—	—	—	—	—	(353)
Financial liabilities designated as at fair value through profit or loss	—	—	(123,009)	(39,474)	(42,181)	(7,152)	(91)	(211,907)
Financial assets sold under repurchase agreements	—	—	(66,791)	(24,233)	(1,937)	—	—	(92,961)
Due to customers	—	(6,044,558)	(350,416)	(812,082)	(1,793,661)	(853,509)	(2,615)	(9,856,841)
Subordinated debt securities issued	—	—	—	—	(4,499)	(41,279)	(91,170)	(136,948)
Other financial liabilities	—	(46,301)	(25,294)	(3,736)	(9,968)	(5,541)	—	(90,840)
Total non-derivative financial liabilities	—	(6,334,455)	(656,073)	(944,517)	(2,019,623)	(1,107,053)	(94,890)	(11,156,611)
Net position	**2,152,306**	**(6,072,771)**	**106,909**	**(97,217)**	**1,009,847**	**1,556,971**	**3,856,751**	**2,512,796**

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 undiscounted contractual cash flows of the Group's net derivative positions by remaining contractual maturities:

	As at 30 June 2012					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	15	(34)	(154)	(475)	(3)	(651)

	As at 31 December 2011					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(19)	(77)	(157)	(520)	(68)	(841)

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 undiscounted contractual cash flows of the Group's gross derivative positions by remaining contractual maturities:

	As at 30 June 2012					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Currency rate derivatives						
— Cash inflow	123,208	110,630	207,862	11,360	994	454,054
— Cash outflow	(123,201)	(110,752)	(207,560)	(11,922)	(1,374)	(454,809)
Total	**7**	**(122)**	**302**	**(562)**	**(380)**	**(755)**

(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 2011					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Currency rate derivatives						
— Cash inflow	86,715	72,409	133,381	10,257	1,605	304,367
— Cash outflow	(86,654)	(72,385)	(133,290)	(10,873)	(2,326)	(305,528)
Total	**61**	**24**	**91**	**(616)**	**(721)**	**(1,161)**

Credit commitments

The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	As at 30 June 2012			
	Less than 1 year	1-5 years	Over 5 years	Total
Loan commitments	489,139	24,379	101,988	615,506
Acceptances	409,052	—	—	409,052
Guarantee and letters of guarantee	116,801	63,902	50,308	231,011
Credit card commitments	187,120	—	—	187,120
Letters of credit	159,727	12,002	173	171,902
Total	**1,361,839**	**100,283**	**152,469**	**1,614,591**

	As at 31 December 2011			
	Less than 1 year	1-5 years	5 years	Over Total
Loan commitments	625,340	34,376	137,197	796,913
Acceptances	346,048	—	—	346,048
Guarantee and letters of guarantee	109,665	61,000	52,724	223,389
Credit card commitments	161,187	—	—	161,187
Letters of credit	154,692	5,615	—	160,307
Total	**1,396,932**	**100,991**	**189,921**	**1,687,844**

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.

(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 2012				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,531,750	11,584	968	576	2,544,878
Deposits with banks and other financial institutions	161,691	146,727	10,547	28,165	347,130
Placements with banks and other financial institutions	96,805	43,296	4	299	140,404
Financial assets held for trading	14,095	141	—	—	14,236
Financial assets designated as at fair value through profit or loss	67,862	6,166	8,347	394	82,769
Derivative financial assets	2,515	1,265	262	2,844	6,886
Financial assets held under resale agreements	986,699	—	—	—	986,699
Loans and advances to customers	5,531,981	269,399	23,623	4,737	5,829,740
Available-for-sale financial assets	609,033	27,648	1,402	2,879	640,962
Held-to-maturity investments	1,242,330	4,197	326	583	1,247,436
Debt securities classified as receivables	731,377	—	408	6	731,791
Other financial assets	99,700	2,127	660	129	102,616
Total financial assets	12,075,838	512,550	46,547	40,612	12,675,547
Borrowings from central bank	(66)	—	—	—	(66)
Deposits from banks and other financial institutions	(663,164)	(246,293)	(2,751)	(2,344)	(914,552)
Placements from banks and other financial institutions	(40,274)	(38,001)	(7,980)	(32,840)	(119,095)
Financial liabilities held for trading	(2,482)	—	—	—	(2,482)
Financial liabilities designated as at fair value through profit or loss	(114,594)	(148)	(74)	(183)	(114,999)
Derivative financial liabilities	(2,129)	(3,776)	(752)	(1,334)	(7,991)
Financial assets sold under repurchase agreements	(13,566)	—	—	—	(13,566)
Due to customers	(10,385,405)	(171,789)	(17,073)	(30,319)	(10,604,586)
Subordinated debt securities issued	(99,929)	—	—	—	(99,929)
Other financial liabilities	(173,277)	(13,072)	(24,290)	(1,439)	(212,078)
Total financial liabilities	(11,494,886)	(473,079)	(52,920)	(68,459)	(12,089,344)
Net exposure	**580,952**	**39,471**	**(6,373)**	**(27,847)**	**586,203**

(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 2011				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,478,905	6,768	862	547	2,487,082
Deposits with banks and other financial institutions	89,328	27,794	6,467	8,285	131,874
Placements with banks and other financial institutions	168,964	43,677	42	—	212,683
Financial assets held for trading	15,387	202	—	—	15,589
Financial assets designated as at fair value through profit or loss	38,951	6,638	6,441	433	52,463
Derivative financial assets	3,236	3,924	438	926	8,524
Financial assets held under resale agreements	529,440	—	—	—	529,440
Loans and advances to customers	5,145,139	228,592	19,959	5,173	5,398,863
Available-for-sale financial assets	627,997	18,481	2,351	2,369	651,198
Held-to-maturity investments	1,161,698	16,701	300	189	1,178,888
Debt securities classified as receivables	729,908	—	—	6	729,914
Other financial assets	63,438	1,496	306	111	65,351
Total financial assets	11,052,391	354,273	37,166	18,039	11,461,869
Borrowings from central bank	(50)	—	—	—	(50)
Deposits from banks and other financial institutions	(446,285)	(162,754)	(2,771)	(3,471)	(615,281)
Placements from banks and other financial institutions	(47,539)	(41,047)	(11,862)	(8,507)	(108,955)
Financial liabilities held for trading	(353)	—	—	—	(353)
Financial liabilities designated as at fair value through profit or loss	(206,655)	(1,071)	(115)	(216)	(208,057)
Derivative financial liabilities	(2,814)	(5,325)	(747)	(1,398)	(10,284)
Financial assets sold under repurchase agreements	(92,079)	—	—	—	(92,079)
Due to customers	(9,498,852)	(92,300)	(15,393)	(15,481)	(9,622,026)
Subordinated debt securities issued	(99,922)	—	—	—	(99,922)
Other financial liabilities	(162,445)	(5,665)	(13,077)	(590)	(181,777)
Total financial liabilities	(10,556,994)	(308,162)	(43,965)	(29,663)	(10,938,784)
Net exposure	**495,397**	**46,111**	**(6,799)**	**(11,624)**	**523,085**

(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 2012	Year ended 31 December 2011
5% appreciation	837	(53)
5% depreciation	(837)	53

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 2012						
	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	2,200,679	—	174,000	—	—	170,199	2,544,878
Deposits with banks and other financial institutions	240,914	83,887	22,329	—	—	—	347,130
Placements with banks and other financial institutions	56,027	14,959	69,224	194	—	—	140,404
Financial assets held for trading	1,208	1,745	7,908	2,508	867	—	14,236
Financial assets designated as at fair value through profit or loss	15,547	23,511	33,788	9,133	33	757	82,769
Derivative financial assets	—	—	—	—	—	6,886	6,886
Financial assets held under resale agreements	676,807	247,513	62,222	157	—	—	986,699
Loans and advances to customers	2,115,067	1,078,066	2,601,862	8,689	26,056	—	5,829,740
Available-for-sale financial assets	45,079	63,954	156,953	245,011	129,596	369	640,962
Held-to-maturity investments	30,243	81,118	259,835	492,792	383,448	—	1,247,436
Debt securities classified as receivables	4,416	38,698	64,311	57,360	567,000	6	731,791
Other financial assets	124	527	3,422	13,916	884	83,743	102,616
Total financial assets	5,386,111	1,633,978	3,455,854	829,760	1,107,884	261,960	12,675,547
Borrowings from central bank	—	—	(36)	—	—	(30)	(66)
Deposits from banks and other financial institutions	(455,525)	(41,236)	(193,765)	(222,325)	(6)	(1,695)	(914,552)
Placements from banks and other financial institutions	(62,751)	(30,090)	(25,100)	(1,056)	(98)	—	(119,095)
Financial liabilities held for trading	—	—	—	—	—	(2,482)	(2,482)
Financial liabilities designated as at fair value through profit or loss	(44,468)	(43,211)	(21,500)	(5,740)	—	(80)	(114,999)
Derivative financial liabilities	—	—	—	—	—	(7,991)	(7,991)
Financial assets sold under repurchase agreements	(12,289)	(1,230)	(47)	—	—	—	(13,566)
Due to customers	(6,710,512)	(737,688)	(2,104,094)	(979,309)	(1,510)	(71,473)	(10,604,586)
Subordinated debt securities issued	—	—	(4,999)	(19,992)	(74,938)	—	(99,929)
Other financial liabilities	(3,958)	(8,444)	(20,595)	(4,103)	(245)	(174,733)	(212,078)
Total financial liabilities	(7,289,503)	(861,899)	(2,370,136)	(1,232,525)	(76,797)	(258,484)	(12,089,344)
Interest rate gap	**(1,903,392)**	**772,079**	**1,085,718**	**(402,765)**	**1,031,087**	**3,476**	**586,203**

(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 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	2,110,203	—	154,000	20,000	—	202,879	2,487,082
Deposits with banks and other financial institutions	59,794	33,413	38,667	—	—	—	131,874
Placements with banks and other financial institutions	107,986	32,691	71,906	100	—	—	212,683
Financial assets held for trading	4,429	2,751	6,285	1,694	430	—	15,589
Financial assets designated as at fair value through profit or loss	3,053	12,049	21,878	15,226	66	191	52,463
Derivative financial assets	—	—	—	—	—	8,524	8,524
Financial assets held under resale agreements	288,648	144,191	96,453	148	—	—	529,440
Loans and advances to customers	2,061,818	1,116,059	2,190,132	5,180	25,674	—	5,398,863
Available-for-sale financial assets	20,694	57,233	233,225	217,988	120,870	1,188	651,198
Held-to-maturity investments	21,581	81,229	290,721	458,555	326,802	—	1,178,888
Debt securities classified as receivables	45	377	106,384	22,266	600,836	6	729,914
Other financial assets	62	254	2,058	8,174	675	54,128	65,351
Total financial assets	4,678,313	1,480,247	3,211,709	749,331	1,075,353	266,916	11,461,869
Borrowings from central bank	—	—	(20)	—	—	(30)	(50)
Deposits from banks and other financial institutions	(276,138)	(27,255)	(137,878)	(169,557)	(899)	(3,554)	(615,281)
Placements from banks and other financial institutions	(54,489)	(34,002)	(20,358)	—	(106)	—	(108,955)
Financial liabilities held for trading	—	—	—	—	—	(353)	(353)
Financial liabilities designated as at fair value through profit or loss	(126,165)	(46,637)	(29,581)	(5,009)	(67)	(598)	(208,057)
Derivative financial liabilities	—	—	—	—	—	(10,284)	(10,284)
Financial assets sold under repurchase agreements	(66,643)	(23,587)	(1,849)	—	—	—	(92,079)
Due to customers	(6,264,137)	(783,836)	(1,715,502)	(744,676)	(2,309)	(111,566)	(9,622,026)
Subordinated debt securities issued	—	—	(4,998)	(19,990)	(74,934)	—	(99,922)
Other financial liabilities	(2,817)	(8,706)	(5,497)	(2,448)	—	(162,309)	(181,777)
Total financial liabilities	(6,790,389)	(924,023)	(1,915,683)	(941,680)	(78,315)	(288,694)	(10,938,784)
Interest rate gap	**(2,112,076)**	**556,224**	**1,296,026**	**(192,349)**	**997,038**	**(21,778)**	**523,085**

(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-generating assets and interest-bearing liabilities at the end of each reporting period.

	As at 30 June 2012		As at 30 June 2011	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(7,735)	(14,845)	(8,253)	(13,887)
-100 basis points	7,735	15,816	8,253	14,653

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 the 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, taking into account any eligible collateral or guarantees. 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.

Capital adequacy and the utilisation of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBRC. The required information is filed with the CBRC by the Bank quarterly.

(Amounts in millions of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT (continued)

45.4 Capital management (continued)

	Notes	As at 30 June 2012	As at 31 December 2011
Core capital adequacy ratio	(1)	9.65%	9.50%
Capital adequacy ratio	(2)	12.02%	11.94%
Components of capital base			
Core capital:			
Share capital		324,794	324,794
Reserves	(3)	334,491	282,508
Non-controlling interests		362	187
		659,647	607,489
Supplementary capital:			
General provision		60,801	56,287
Long-term subordinated bonds		100,000	100,000
Cumulative gain in fair value		2,724	725
		163,525	157,012
Total capital base before deductions		823,172	764,501
Deductions:			
Equity investments which are not consolidated		(1,314)	(1,359)
Other deductible items		(3,176)	(132)
Total capital base after deductions		818,682	763,010
Risk-weighted assets and market risk capital adjustment	(4)	6,809,391	6,388,375

(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 and other deductible items, 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) In accordance with the "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" issued by the CBRC, reserves comprise eligible capital reserve, eligible retained earnings, surplus reserve and general reserve.

(4) 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 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 2012		As at 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	5,829,740	5,827,434	5,398,863	5,395,802
Held-to-maturity investments	1,247,436	1,259,504	1,178,888	1,184,307
Debt securities classified as receivables	731,791	732,191	729,914	733,145
	7,808,967	7,819,129	7,307,665	7,313,254
Financial liabilities				
Deposits from banks and other financial institutions	914,552	914,749	615,281	615,330
Due to customers	10,604,586	10,613,720	9,622,026	9,621,454
Subordinated bonds issued	99,929	99,847	99,922	97,991
	11,619,067	11,628,316	10,337,229	10,334,775

(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 value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); 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 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	3	14,233	—	14,236
Financial assets designated as at fair value through profit or loss	3,131	15,136	64,502	82,769
Available-for-sale financial assets	21,637	615,300	3,801	640,738
Derivative financial assets	—	4,201	2,685	6,886
Total assets	24,771	648,870	70,988	744,629
Financial liabilities held for trading	(2,482)	—	—	(2,482)
Financial liabilities designated as at fair value through profit or loss	—	—	(114,999)	(114,999)
Derivative financial liabilities	(29)	(3,778)	(4,184)	(7,991)
Total liabilities	(2,511)	(3,778)	(119,183)	(125,472)

	As at 31 December 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	—	15,589	—	15,589
Financial assets designated as at fair value through profit or loss	4,083	10,537	37,843	52,463
Available-for-sale financial assets	12,233	638,116	627	650,976
Derivative financial assets	—	4,223	4,301	8,524
Total assets	16,316	668,465	42,771	727,552
Financial liabilities held for trading	(353)	—	—	(353)
Financial liabilities designated as at fair value through profit or loss	—	—	(208,057)	(208,057)
Derivative financial liabilities	—	(3,887)	(6,397)	(10,284)
Total liabilities	(353)	(3,887)	(214,454)	(218,694)

(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 2011.

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

	Six months ended 30 June 2012			
	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 2012	37,843	627	(2,096)	(208,057)
Recognised in				
— Profit or loss	2,665	3	659	(2,835)
— Other comprehensive income	—	3	—	—
Purchases/issues	296,863	3,490	(33)	(259,461)
Settlements	(272,869)	(322)	(29)	355,354
As at 30 June 2012	**64,502**	**3,801**	**(1,499)**	**(114,999)**
Total gain or loss for the period for assets/liabilities held as at 30 June 2012				
— Included in profit or loss	1,439	3	657	(654)
— Included in other comprehensive income	—	3	—	—

(Amounts in millions of Renminbi, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	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 or loss	2,051	32	975	(3,784)
— Other comprehensive expenses	—	(39)	—	—
Purchases/issues	250,146	1,456	—	(732,288)
Settlements	(243,342)	(697)	(28)	562,356
Transfers out of Level 3	(3,038)	(2,094)	—	—
As at 31 December 2011	**37,843**	**627**	**(2,096)**	**(208,057)**
Total gain or loss for the year for assets/liabilities held as at 31 December 2011				
— Included in profit or loss	924	20	1,048	(1,757)
— Included in other comprehensive expenses	—	(39)	—	—

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1. Liquidity ratios

	As at 30 June 2012	As at 31 December 2011
RMB current assets to RMB current liabilities	43.65%	40.18%
Foreign currency current assets to foreign currency current liabilities	201.47%	154.66%

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 2012				
Spot assets	455,059	154,510	41,610	651,179
Spot liabilities	(417,978)	(151,120)	(36,243)	(605,341)
Forward purchases	250,900	8,046	60,988	319,934
Forward sales	(204,017)	(7,782)	(78,860)	(290,659)
Net long/(short) position	83,964	3,654	(12,505)	75,113
Net structural position	**(33,505)**	**8,043**	**(354)**	**(25,816)**

	Equivalent in millions of Renminbi			
	USD	HKD	Other	Total
As at 31 December 2011				
Spot assets	306,987	115,707	18,045	440,739
Spot liabilities	(270,267)	(113,469)	(17,529)	(401,265)
Forward purchases	180,338	3,192	17,361	200,891
Forward sales	(153,475)	(3,038)	(24,987)	(181,500)
Net long/(short) position	63,583	2,392	(7,110)	58,865
Net structural position	**(33,396)**	**335**	**(41)**	**(33,102)**

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 2012				
Asia Pacific excluding Mainland China	24,825	956	147,328	173,109
— of which attributed to Hong Kong	1,200	—	122,891	124,091
Europe	34,465	660	—	35,125
North and South America	127,713	735	1,432	129,880
Africa	—	75	—	75
Total	**187,003**	**2,426**	**148,760**	**338,189**

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2011				
Asia Pacific excluding Mainland China	25,732	—	107,101	132,833
— of which attributed to Hong Kong	2,807	—	89,808	92,615
Europe	26,106	2,234	—	28,340
North and South America	28,941	1,230	1,463	31,634
Africa	—	74	—	74
Total	**80,779**	**3,538**	**108,564**	**192,881**

(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 2012	As at 31 December 2011
Overdue		
below 3 months	33,965	25,776
between 3 and 6 months	6,576	3,099
between 6 and 12 months	6,031	4,663
over 12 months	38,436	39,925
Total	**85,008**	**73,463**
Percentage of overdue loans and advances to customers in total loans		
below 3 months	0.56%	0.46%
between 3 and 6 months	0.11%	0.06%
between 6 and 12 months	0.10%	0.08%
over 12 months	0.63%	0.71%
Total	**1.40%**	**1.31%**

(2) Overdue and rescheduled loans and advances to customers

	As at 30 June 2012	As at 31 December 2011
Total rescheduled loans and advances to customers	11,953	9,934
Including: rescheduled loans and advances to customers overdue for not more than 3 months	10,727	8,463
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.18%	0.15%

(3) 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 2012 and 31 December 2011 are not material.

1.	ABC/We/the Bank/ Agricultural Bank of China	Agricultural Bank of China Limited or its predecessor
2.	Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 13 October 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.	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
5.	CBRC	China Banking Regulatory Commission
6.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial products and services through our branch outlets located in counties and county-level cities in China. We refer to such banking business as the "Sannong Banking Business" or "County Area Banking Business"
7.	County Area(s)	Areas designated as counties or county-level cities under China's administrative division system, excluding municipal districts
8.	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
9.	CSRC	China Securities Regulatory Commission
10.	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
11.	economic capital	Capital allocated to assets or business for the purpose of mitigating risks based on internal assessment of the management of commercial banks
12.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

13.	Hong Kong Listing Rules	The Rules Governing the Listing of Securities on 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.	MOF	The Ministry of Finance of the People's Republic of China
17.	PBOC	The People's Bank of China
18.	Sannong	Agriculture, rural areas and farmers
19.	SSF	National Council for Social Security Fund of the PRC
20.	subordinated bonds	Bonds issued by commercial bank which ranks after other equity capital and other debts. Subordinated Bonds fulfilling the conditions can be classified into supplementary capital

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