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

Joint Dedication to Build a Beautiful China

2013 Interim Report

Contents

Definitions

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

1.	ABC/We/the Bank/ Agricultural Bank of China	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
2.	Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 31 December 2012
3.	basis point(s)	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(s)	The county-level regions (excluding the district-level areas in the cities) in China and the areas, under their administration, including counties or county-level cities
7.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial products services through our branch outlets located in counties and county-level cities in China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
8.	County Area Banking Division	An internal division with management mechanism adopted by the Bank for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, focusing on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
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 Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
13.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
14.	Huijin	Central Huijin Investment Ltd.
15.	Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
16.	MOF	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 a commercial bank which rank prior to its equity capital and after other debts in respect of repayment of principal and interests. Subordinated Bonds fulfilling the conditions can be classified into supplementary capital

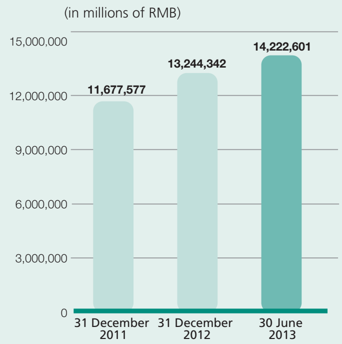
Basic Corporate Information

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 representative	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
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)
Name and address of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai

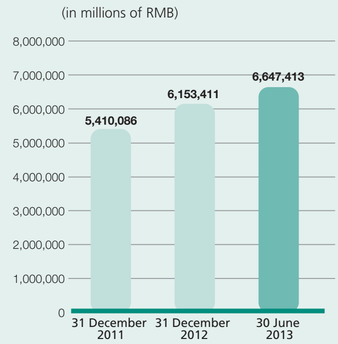
Name of the undersigned Accountant	WU Weijun, JIANG Kun
Name and address of international auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Change of auditors	In the 2012 Second Extraordinary General Meeting of the Bank, the shareholders passed a resolution to appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as external auditors of the Bank for 2013. Please refer to the *Announcement on the Poll Results of the 2012 Second Extraordinary General Meeting of Agricultural Bank of China Limited* dated 30 October 2012 published on the website of the Shanghai Stock Exchange (www.sse.com.cn) and the *Poll Results of the 2012 Second Extraordinary General Meeting* dated 29 October 2012 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Bank.

Financial Highlights

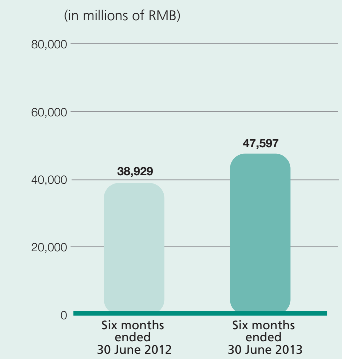
Total assets



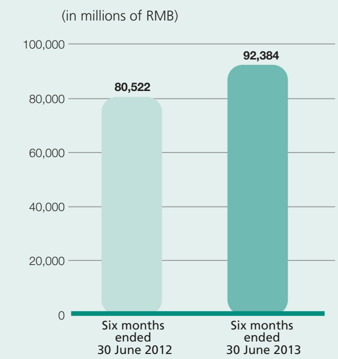
Loans and advances to customers, net



Net fee and commission income

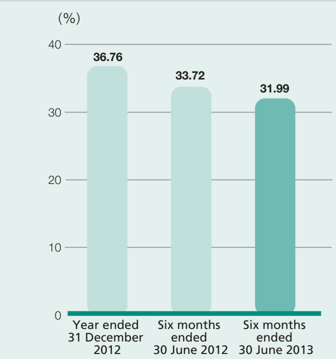


Net profit

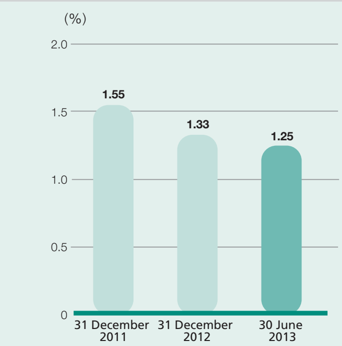


Return on weighted average net assets

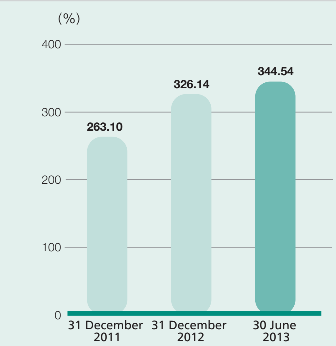
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



(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 2013 is set out below:

Major Financial Data

	30 June 2013	31 December 2012	31 December 2011
AT THE END OF THE REPORTING PERIOD			
(in millions of RMB)			
Total assets	14,222,601	13,244,342	11,677,577
Loans and advances to customers, net	6,647,413	6,153,411	5,410,086
Investment in securities and other financial assets, net	3,097,542	2,851,448	2,628,052
Total liabilities	13,431,370	12,492,988	11,027,789
Deposits from customers	11,487,183	10,862,935	9,622,026
Equity attributable to equity holders of the Bank	789,668	749,815	649,601

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
INTERIM OPERATING RESULTS			
(in millions of RMB)			
Operating income	236,044	210,912	424,964
Net interest income	180,002	167,838	341,879
Net fee and commission income	47,597	38,929	74,844
Operating expenses	94,071	84,138	182,802
Provision for impairment losses on assets	22,471	22,772	54,235
Net profit	92,384	80,522	145,131
Net profit attributable to equity holders of the Bank	92,352	80,499	145,094
Net cash (used in)/generated from operating activities	(128,853)	509,136	340,779

Financial Indicators

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
PROFITABILITY (%)			
Return on average total assets[1]	1.35*	1.31*	1.16
Return on weighted average net assets[2]	23.22*	23.26*	20.74
Net interest margin[3]	2.74*	2.85*	2.81
Net interest spread[4]	2.58*	2.71*	2.67
Return on risk-weighted assets[5]	2.15*	2.37*	2.01
Net fee and commission income to operating income	20.16	18.46	17.61
Cost-to-income ratio[6]	31.99	33.72	36.76
DATA PER SHARE (RMB Yuan)			
Basic earnings per share[2]	0.28	0.25	0.45
Net cash per share (used in)/generated from operating activities	(0.40)	1.57	1.05

	30 June 2013	31 December 2012	31 December 2011
ASSET QUALITY (%)			
Non-performing loan ratio[7]	1.25	1.33	1.55
Allowance to non-performing loans[8]	344.54	326.14	263.10
Allowance to total loans[9]	4.30	4.35	4.08
CAPITAL ADEQUACY (%)			
Common Equity Tier 1 (CET1) capital adequacy ratio[10]	9.11	N/A	N/A
Tier 1 capital adequacy ratio[10]	9.11	N/A	N/A
Capital adequacy ratio[10]	11.81	12.61	11.94
Total equity to total assets ratio	5.56	5.67	5.56
Risk-weighted assets to total assets ratio	60.56	54.48	54.71
DATA PER SHARE (RMB Yuan)			
Net assets per share attributable to equity holders of the Bank	2.43	2.31	2.00

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 potential diluted 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. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.*
6. *Calculated by dividing operating and administrative expenses by operating income under CASs, which is consistent with the figures as stated in the financial report of the Bank prepared in accordance with CASs.*
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 by balance of non-performing loans.*
9. *Calculated by dividing allowance for impairment losses on loans by total amount of loans and advances to customers.*
10. *Figures of 30 June 2013 were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations. Figures of 31 December 2012 and 31 December 2011 were calculated in accordance with the Rules for the Management of Capital Adequacy Ratio of Commercial Banks and other relevant regulations.*

* *Indicates annualized data.*

Other Financial Indicators

		Regulatory Standard	30 June 2013	31 December 2012	31 December 2011
Liquidity ratio[1] (%)	RMB	≥25	43.17	44.75	40.18
	Foreign Currency	≥25	99.87	161.78	154.66
Loan-to-deposit ratio[2] (%)	RMB and Foreign Currency	≤75	60.47	59.22	58.61
Percentage of loans to the largest single customer[3] (%)		≤10	3.37	3.59	2.80
Percentage of loans to top ten customers[4] (%)			13.88	15.76	16.31
Loan migration ratio[5] (%)	Normal		1.28	2.49	2.26
	Special mention		3.46	4.65	2.61
	Substandard		34.69	21.79	14.82
	Doubtful		4.97	4.96	5.41

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 by using domestic data.*

In the first half of 2013, facing a complex internal and external operating environment, we persisted in adhering to prudent operations, continued to refine the County Area Banking Business, enhanced capabilities in effectively serving the real economy and continued to promote reforms in key areas, and maintained stable development and continual growth in our operating results. During the reporting period, we achieved a net profit of RMB92,384 million, representing an increase of 14.7% 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 1.35% and 23.22%, respectively. Our cost-to-income ratio was 31.99%, representing a decrease of 1.73 percentage points compared to the same period of the previous year. We also made breakthroughs in reform development and management.

While we remain confident in our future development, we are well aware that the internal and external environment of the banking industry in China is undergoing dramatic changes which may bring arduous challenges to our operation and management. **Firstly**, focusing on accelerating economic structural adjustment while maintaining steady economic growth will be the key approach of the PRC's economic policies. Breaking away from the traditional operating mindset and expediting structural adjustment to operations will be the major areas of development in the PRC banking industry. **Secondly**, given that more risks have emerged in the deleveraging process of the economy and financial markets, preventing systemic and regional risks will be a challenging task for the banking industry. **Thirdly**, since market competition will be intensified as a result of the acceleration of economic and financial reforms, developing unique and differentiated competitive advantages will be a major challenge for every bank.

The more complex the environment we face, the greater the need for us to adhere to risk limitation, persist in our strategies, and make progress and enhance performance through steady development. We will adhere to the business philosophy of a modern commercial bank and persist in maximizing our shareholders' value. We will also accelerate structural adjustment, changes to our business methods, risk control and the promotion of innovation. We will strengthen our ability to absorb low cost funding and ensure efficient fund utilization and comprehensive risk management. We will establish an operating model with an emphasis on cost leadership, differentiation and professionalism to further enhance the quality and efficiency of our business development and increase returns to shareholders.

Firstly, we will accelerate the business transformation. We will actively respond to the challenges of interest rate liberalization and insufficient demand for credit, and will expedite the development of our small and micro enterprise business and the investment banking-oriented transformation of our corporate banking businesses. For our small and micro enterprise business, we will effectively resolve challenges regarding market positioning, product and service innovations and incentive schemes, establish a specialized organization structure and service team, formulate a targeted risk management system, enhance economies of scale, lower operating costs, and continually enhance risk-adjusted profitability. To expedite the investment banking-oriented transformation of our corporate banking businesses, we will strengthen the cross-selling of financial products, expand the scope and channels of financial services, and maximize value contributions from customers. Building on our traditional strength as "credit intermediaries", we will also strengthen our functions as asset management intermediaries and financial advisers.

Secondly, we will consolidate and expand our business advantages in County Area Banking Business. As the PRC government accelerates urban-rural integration development, we will further promote our County Area Banking Business in line with the new economic development trend in the County Areas. We will proactively support agricultural modernization and new forms of urbanization, make efforts to provide financial services to new types of agricultural business entities and the rural circulation market, expand basic financial service coverage and enhance and expand the pilot reform program of our County Area Banking Division business unit, in order to progressively develop into a preferred and major bank which supports modern agriculture and new forms of urbanization development, as well as a socially responsible bank.

Thirdly, we will continue to develop innovation. We will develop differentiated products and services and pricing advantages through innovation. We will work to strike an optimal balance between new innovations and our existing management team structures and risk management processes, and to ensure that innovation is adopted across Head Office and branches and among our front, middle and bank office functions. We will capitalize on the driving effect generated from IT on innovation and encourage our employees to embrace innovation. We will proceed with integration of innovative systems and mechanisms and include innovation cultivation as a major part of our corporate culture. We will accelerate innovation of products and services in key areas, seek to establish leading positions in new business areas, design financial service model for new forms of urbanization, and further enhance the competitiveness of our products and services.

Fourthly, we will expedite the establishment of a comprehensive risk management system. We persist in strengthening risk management as an important means to enhance our competitiveness. Pursuant to the strategic requirements of comprehensive, balanced and effective risk management, we will adhere to a prudent and innovative risk appetite strategy and continue to improve our comprehensive risk management system. In respect of corporate governance and operational management, we will constantly improve our organizational structure and reporting mechanism in order to achieve seamless risk management. We will further integrate different types of risks, including market, operational and reputation risks into a unified risk management system, which can cover all risks that we encounter in our businesses. We will also incorporate risk identification, assessment, measurement, control, monitoring and reporting procedures throughout our business, from commencement to completion of business transactions, so as to ensure risk management of the whole process. We will expedite the innovation and application of modern risk management tools to effectively guide and control our business development, so as to continuously enhance our risk management capability.

Chairman: JIANG Chaoliang
28 August 2013

Since this year, in a complex and ever changing economic and financial environment, we have persisted in our prudent approach of steady development and strictly followed the macro-control requirements of the PRC government and the objectives set by the Board of Directors. We have further promoted structural adjustments and business transformation, enhanced reforms and innovation, which allowed us to successfully maintain steady business growth.

Steady growth in operating results. As of the end of June, our total assets were RMB14.2 trillion, representing an increase of 7.4% compared to the end of the previous year. The net profit amounted to RMB92,384 million in the first half of the year, representing an increase of 14.7% compared to the same period of the previous year. Key financial indicators consistently improved, representing a continual improvement of the Bank in terms of quality and effectiveness.

New progress in structural adjustments. Focusing on providing services for the real economy and the positioning of the Bank's strategies, we increased credit support to major national construction projects, Sannong, small and micro enterprises as well as other projects with low capital requirements. In the first half of the year, total loan amount increased by RMB512,721 million with the growth rate of loans to the County Areas and small and micro enterprises of 0.8 percentage point and 5.1 percentage points higher than the Bank-wide average, respectively. Retail loans and trade financing also recorded rapid growth. Due to improved credit structure, the Bank-wide average economic capital coefficient of the loans decreased by 0.7 percentage point compared to the beginning of the year. Meanwhile, the low cost and stability of the liabilities business further improved. The daily growth of retail deposits surpassed the average of the banking industry while the average cost of deposits decreased by 12 basis points compared to the same period of the previous year.

Consolidating differential competitive advantage for Urban and County Areas. Through our "two engines" of growth strategy, we achieved a coordinating development in both Urban and County Areas markets. We continued to provide policy support to branches in the major cities in the form of resource allocation and delegated authorization functions, which enabled them to maintain stability of their market shares and contribution to the Bank despite intensified market competition. To capture the opportunities brought by industrialization, informatization, urbanization and agricultural modernization, we focused on the development of our financial services in the County Areas. We achieved progress in agricultural industrialization, modernized agricultural systems and the development of basic financial services. Our service coverage of the leading agricultural enterprises at state and provincial level extended to 81.4% and 57.4%, respectively, while the village coverage of "Kins Huinongtong Project" was 66.2%. The growth rates of deposits and interest spreads in the County Areas were still above the Bank-wide average.

Effective cost saving and revenue growth measures. Following the changing demands of the market and customers, we actively developed diversified income sources. In the first half of the year, fee and commission income amounted to RMB47,597 million, representing an increase of 22.3% compared to the same period of the previous year. Emerging fee- and commission-based business such as high-end investment banking, custody, factoring and precious metals developed rapidly. As a result, the contribution of fee and commission income to total income further increased. The financial market business grew rapidly. The yield of investment and financing rate grew steadily. The sales, outstanding balance and income of wealth management products also recorded significant growth. The ranking of the volume of debt financing instruments underwritten by the Bank rose. The business of overseas branches and subsidiaries also experienced stable development. Meanwhile, the Bank persisted in adopting control measures on cost-to-income ratio and total expenses and strictly controlled administrative expenses, resulting in the cost-to-income ratio recording a decrease of 1.73 percentage points as compared to the same period of the previous year.

Consolidating the basics of management. In an environment of increasing potential risks, the Bank assessed and eliminated risks in major sectors, customers and businesses and strengthened its specialized management of guarantee circles and guarantee chains and the recovery and disposal of non-performing loans. As a result, the quality of assets remained stable and the Bank's non-performing loan ratio decreased. Furthermore, the basics of management were further enhanced and all types of operational risk, IT risk, liquidity risk and reputation risk were under solid control.

In the second half of the year, the external operating environment of the banking industry will remain full of uncertainties. We will persist in making progress through steady development, further focus on serving the real economy and improving the four major systems of credit services for Sannong, small and micro enterprises, major projects and retail customers. We will also continue to pursue a stable and innovative risk appetite and adjust our policies to anticipate future trends regarding credit admission, economic capital and pricing management. We will enhance our capability on market expansion and promote coordinated development of all businesses.

President: ZHANG Yun
28 August 2013

Environment and Prospects

In the first half of 2013, the global economy continued to recover, albeit unbalanced across regions and continuing instability. Recovery progress of major economies varies. The US economy maintained steady recovery and seemed to indicate an end to the quantitative easing monetary policy of the US Federal Reserve. The Japanese economy recorded rapid growth in the short term attributable to the massive fiscal stimulus and loose monetary policies. The Eurozone economy remained lackluster, with systemic risks appearing to be gradually mitigated for now. On the other hand, the downside risks of the emerging economies increased with the tendency of currency depreciation and capital outflow.

In the first half of 2013, global financial markets remained volatile and the expectation for the US Federal Reserve to phase out the quantitative easing policies dominated the market trend. In particular in mid-to-end June, the financial market fluctuated with strong appreciation of the US dollar and significant decreases in gold and bulk commodity prices. At the end of June, USD index increased by 4.29% as compared to the end of the previous year. The Japanese yen depreciated 12.51% against the USD as compared to the end of the previous year. The USD LIBOR continued to decline slowly. The yield of long-term treasury bonds in developed economies rebounded. In respect of stock markets, the Dow Jones Industrial Average Index, the EURO STOXX 50 Index and Nikkei 225 Index increased by 13.8%, 1.0% and 31.6%, respectively.

In the first half of 2013, the overall economy of China remained stable with a trend of structural deceleration. The GDP of China reached RMB24.8 trillion for the first half of 2013, representing an increase of 7.6% compared to the corresponding period of last year. Price levels remained stable with the Consumer Price Index increasing by 2.4% over the same period of last year. RMB appreciated rapidly as the mid-point rate of RMB against the USD reached 6.1787 at the end of June, representing an accumulated appreciation of 1.73% compared to the end of the previous year. In the face of a rapid increase in domestic inter-bank market interest rates in June, the PBOC provided liquidity support to those financial institutions which fulfilled its macro-prudential supervision requirements by using instruments including reloan and rediscount, and the monetary market interest rates gradually stabilized.

To cope with continuing uncertainty and the complex economic and financial situation at home and abroad, in addition to maintaining the stability and continuity of macro-economic policies, the PRC government emphasized coordinating steady growth, adjusting structure and advancing reform and adhered to unified macro-economic, micro-economic and social policies. In the meanwhile, the government carried out steady and orderly liberalization of the financial market to capitalize on the benefits brought by the market allocation of financial resources. The PRC government promulgated the *Guidelines on Financial Support for the Structural Adjustment, Transformation and Upgrade of the Economy*, which emphasized the consistent implementation of prudent monetary policies by making better use of incremental financial resources and revitalizing the stock of financial assets, as well as strengthening the financial supports to key sectors and vulnerable segments, so that finance can play a better supporting role in the economic structural adjustment, transformation and upgrading. On 20 July 2013, the PBOC announced that it would fully eliminate the restrictions on the loan interest rate charged by financial institutions, which represented a key step in the liberalization of interest rates.

Looking forward to the second half of the year, the global economy is expected to maintain gradual recovery. China's economy will maintain stable growth while its structural adjustment, transformation and upgrading are likely to accelerate. It is expected that the monetary and regulatory policy environment of China's banking industry will remain stable, while facing the challenges of a decreasing profit growth rate, increasing risk pressure and narrowing interest spreads. The transformation of China's banking industry will further accelerate.

In the second half of the year, under the guideline of the "Three-year Plan", we will focus on serving the real economy and speed up mechanism reformation and business transformation, so as to achieve steady and rapid growth in all business lines. Firstly, we will continue to refine services to Sannong and the County Area Banking Business and further consolidate the competitive edges of our County Area Banking Business. Secondly, we will adhere to the guideline, namely "better usage of incremental financial resources and the stock of financial assets revitalization", and increase credit support to advanced manufacturing industries, strategic emerging industries, labor-intensive industries and service industries, as well as upgrade traditional industries and small and micro enterprises. Thirdly, we will adhere to a strict approach of risk limitation. We will enhance our full cycle management on quality of loans, and control risks of major industries and sectors, such as government financing vehicles, real estate industry and industries with high energy consumption, high pollution or overcapacity. We will also strengthen our liquidity early-warning mechanism and enhance our liquidity risk management and emergency response ability. Lastly, we will push forward mechanism refinement to improve the basics of management, stimulate operation motivation, so as to enhance our continual development.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2013, we generated a net profit of RMB92,384 million, representing an increase of RMB11,862 million or 14.7% compared to the same period of the previous year.

Changes in Key Items of Income Statement

In millions of RMB, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Net interest income	180,002	167,838	12,164	7.2
Net fee and commission income	47,597	38,929	8,668	22.3
Other non-interest income	8,445	4,145	4,300	103.7
Operating income	**236,044**	**210,912**	**25,132**	**11.9**
Less: Operating expenses	94,071	84,138	9,933	11.8
Provision for impairment losses on assets	22,471	22,772	(301)	-1.3
Profit before tax	119,502	104,002	15,500	14.9
Less: Income tax expense	27,118	23,480	3,638	15.5
Net profit	**92,384**	**80,522**	**11,862**	**14.7**
Attributable to:				
Equity holders of the Bank	92,352	80,499	11,853	14.7
Non-controlling interests	32	23	9	39.1

Net Interest Income

Net interest income was the largest component of operating income, and accounted for 76.26% of our operating income in the first half of 2013. In the first half of 2013, net interest income was RMB180,002 million, representing an increase of RMB12,164 million compared to the same period of the previous year. Expansion in volume caused an increase in net interest income by RMB25,043 million, while changes in interest rates resulted in a decrease in net interest income by RMB12,879 million.

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 2013			Six months ended 30 June 2012		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income/ expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	6,724,979	200,517	6.01	5,857,991	190,831	6.55
Debt securities investments[1]	2,812,142	51,067	3.66	2,636,141	48,051	3.67
Non-restructuring-related debt securities	2,325,959	43,507	3.77	2,094,743	39,528	3.79
Restructuring-related debt securities[2]	486,183	7,560	3.14	541,398	8,523	3.17
Balances with central banks	2,348,721	18,409	1.58	2,371,143	21,421	1.82
Amounts due from banks and other financial institutions[3]	1,370,659	26,470	3.89	971,090	18,529	3.84
Total interest-earning assets	**13,256,501**	**296,463**	**4.51**	**11,836,365**	**278,832**	**4.74**
Allowance for impairment losses[4]	(290,379)			(241,431)		
Non-interest-earning assets[4]	669,062			516,533		
Total assets	13,635,184			12,111,467		
Liabilities						
Deposits from customers	10,962,985	95,322	1.75	9,939,946	92,462	1.87
Amounts due to banks and other financial institutions[5]	1,005,682	17,020	3.41	940,447	16,035	3.43
Other interest-bearing liabilities[6]	204,678	4,119	4.06	127,885	2,497	3.93
Total interest-bearing liabilities	**12,173,345**	**116,461**	**1.93**	**11,008,278**	**110,994**	**2.03**
Non-interest-bearing liabilities[4]	719,281			465,992		
Total liabilities	12,892,626			11,474,270		
Net interest income		**180,002**			**167,838**	
Net interest spread			**2.58**			**2.71**
Net interest margin			**2.74**			**2.85**

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 debt securities 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 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	25,851	(16,165)	9,686
Debt securities investments	3,196	(180)	3,016
Balances with central banks	(176)	(2,836)	(3,012)
Amounts due from banks and other financial institutions	7,716	225	7,941
Changes in interest income	36,587	(18,956)	17,631
Liabilities			
Deposits from customers	8,895	(6,035)	2,860
Amounts due to banks and other financial institutions	1,104	(119)	985
Other interest-bearing liabilities	1,545	77	1,622
Changes in interest expense	11,544	(6,077)	5,467
Changes in net interest income	**25,043**	**(12,879)**	**12,164**

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 2013, the net interest margin decreased by 11 basis points to 2.74% compared to the same period of the previous year; and the net interest spread decreased by 13 basis points to 2.58% compared to the same period of the previous year. Decreases in net interest margin and net interest spread were primarily due to: (1) after the PBOC lowered the benchmark interest rates twice in 2012, most pre-existing loans were re-priced before the end of June 2013. As lower interest rates were adopted for re-priced and new loans, the average yield of loans decreased by 54 basis points as compared with the same period of the previous year. Part of the deposits was also re-priced. However, the decrease in average cost of deposits was less than that of loans. As a result, the interest spread of deposits and loans decreased; and (2) the proportion of time deposits increased compared with the same period of the previous year.

Interest Income

We achieved an interest income of RMB296,463 million in the first half of 2013, representing an increase of RMB17,631 million over the same period of the previous year. The increase of interest income was principally due to the increase of RMB1,420,136 million in the average balance of interest-earning assets, which was partially offset by the decrease of 23 basis points in the average yield of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB9,686 million or 5.1% over the same period of the previous year to RMB200,517 million. The increase of interest income was primarily due to the increase of RMB866,988 million in the average balance, which was partially offset by the decrease of 54 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 2013			Six months ended 30 June 2012		
	Average balance	Interest income	Average yield[1] (%)	Average balance	Interest income	Average yield[1] (%)
Corporate loans	4,561,313	139,661	6.17	4,134,592	137,219	6.67
Short-term corporate loans	2,125,036	62,598	5.94	1,813,958	60,377	6.69
Medium- and long-term corporate loans	2,436,277	77,063	6.38	2,320,634	76,842	6.66
Discounted bills	125,359	3,286	5.29	117,172	4,739	8.13
Retail loans	1,818,541	54,027	5.99	1,479,294	46,747	6.35
Overseas and others	219,766	3,543	3.25	126,933	2,126	3.37
Total loans and advances to customers	**6,724,979**	**200,517**	**6.01**	**5,857,991**	**190,831**	**6.55**

Note: 1. Calculated on an annualized basis.

Interest income from corporate loans increased by RMB2,442 million or 1.8% to RMB139,661 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB426,721 million in the average balance, which was partially offset by the decrease of 50 basis points in the average yield. The decrease in the average yield was mainly due to the lower interest rates adopted by the re-priced and new loans after the PBOC lowered the benchmark interest rates twice in 2012.

Interest income from discounted bills decreased by RMB1,453 million or 30.7% to RMB3,286 million compared to the same period of the previous year. The decrease was primarily due to the decrease of 284 basis points in the average yield which was partially offset by the increase of RMB8,187 million in the average balance. The decrease in the average yield was mainly due to the decrease in the interest rate of the discounted bill market compared to the same period of the previous year, aside from the periodic culminations.

Interest income from retail loans increased by RMB7,280 million or 15.6% to RMB54,027 million compared to the same period of the previous year. The increase was primarily due to the increase in the average balance of retail loans of RMB339,247 million which was partially offset by the decrease of 36 basis points in the average yield. The decrease in the average yield was primarily due to the lower interest rates adopted by the re-priced and new loans after the PBOC lowered the benchmark interest rates twice in 2012.

Interest income from overseas and other loans increased by RMB1,417 million or 66.7% to RMB3,543 million compared to the same period of the previous year. The increase was mainly due to the increase of RMB92,833 million in the average balance, which was partially offset by the decrease of 12 basis points in the average yield. The increase of average balance was due to rapid development of the loan business of overseas branches.

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 2013, the interest income from debt securities investments increased by RMB3,016 million over the same period of the previous year to RMB51,067 million. The increase was primarily due to the increase of RMB176,001 million in the average balance.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB3,012 million to RMB18,409 million compared to the same period of the previous year, mainly due to the decrease of 24 basis points in the average yield and the decrease of RMB22,422 million in the average balance.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB7,941 million to RMB26,470 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB399,569 million in the average balance and the increase of 5 basis points in the average yield. The increase in the average balance was mainly because we fully capitalized on our adequate and stable funding sources, seized the periodic opportunities of the money market and increased our fund lending in a timely manner.

Interest Expenses

Interest expenses increased by RMB5,467 million to RMB116,461 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB1,165,067 million in the average balance which was partially offset by the decrease of 10 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB2,860 million to RMB95,322 million compared to the same period of the previous year. The increase was mainly due to the increase of RMB1,023,039 million in the average balance which was offset by the decrease of 12 basis points in the average cost. The decrease in the average cost was primarily because the PBOC lowered the benchmark interest rates twice in 2012. We increased the interest rates of time deposits with maturity within one year by up to no more than 10%, which partially offset the decrease in interest rates.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

	Six months ended 30 June 2013			Six months ended 30 June 2012		
Item	Average balance	Interest expense	Average cost[1] (%)	Average balance	Interest expense	Average cost[1] (%)
Corporate deposits						
Time	1,682,898	25,248	3.03	1,350,251	23,047	3.43
Demand	2,622,176	8,956	0.69	2,588,273	10,056	0.78
Sub-total	4,305,074	34,204	1.60	3,938,524	33,103	1.69
Retail deposits						
Time	3,400,638	55,040	3.26	3,156,137	52,344	3.34
Demand	3,257,273	6,078	0.38	2,845,285	7,015	0.50
Sub-total	6,657,911	61,118	1.85	6,001,422	59,359	1.99
Total deposits from customers	**10,962,985**	**95,322**	**1.75**	**9,939,946**	**92,462**	**1.87**

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 RMB985 million to RMB17,020 million compared to the same period of the previous year. The increase was primarily due to the increase of RMB65,235 million in the average balance, which was partially offset by the decrease of 2 basis points in the average cost.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB1,622 million to RMB4,119 million compared to the same period of the previous year, mainly due to the increase in the average balance by RMB76,793 million and the increase of 13 basis points in the average cost. The increase in the average balance was mainly due to the RMB50 billion subordinated bonds newly issued in December 2012 and the increase in certificates of deposit issued by overseas branches. The increase in the average cost was mainly due to the higher interest rate of the newly issued subordinated bonds compared with the pre-existing bonds.

Net Fee and Commission Income

In the first half of 2013, we generated net fee and commission income of RMB47,597 million, representing an increase of RMB8,668 million or 22.3% compared to the same period of the previous year. The proportion of net fee and commission income in our operating income was 20.16%, representing an increase of 1.70 percentage points compared to the same period of the previous year.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	12,080	9,912	2,168	21.9
Agency commission	12,502	9,715	2,787	28.7
Consultancy and advisory fees	10,046	8,874	1,172	13.2
Bank card fees	7,462	6,974	488	7.0
Electronic banking service fees	3,108	2,528	580	22.9
Credit commitment fees	1,484	1,194	290	24.3
Custodian and other fiduciary service fees	2,404	722	1,682	233.0
Others	635	227	408	179.7
Fee and commission income	**49,721**	**40,146**	**9,575**	**23.9**
Less: Fee and commission expenses	2,124	1,217	907	74.5
Net fee and commission income	**47,597**	**38,929**	**8,668**	**22.3**

Settlement and clearing fees increased by RMB2,168 million or 21.9% to RMB12,080 million compared to the same period of the previous year. The increase was mainly due to fast growth in income from cash management and the steady increase in fee income from settlements.

Agency commission income increased by RMB2,787 million or 28.7% to RMB12,502 million compared to the same period of the previous year. The increase was mainly due to the increase in agency commission income from the disposal of assets for the MOF and income from wealth management on behalf of customers.

Consultancy and advisory fees increased by RMB1,172 million or 13.2% to RMB10,046 million compared to the same period of the previous year. The increase was mainly due to the rapid growth in our investment banking business, such as bond underwriting, syndicated arrangements and equity financing, as well as wealth management consultancy and advisory businesses.

Bank card fees increased by RMB488 million or 7.0% to RMB7,462 million compared to the same period of the previous year. The increase was mainly due to the steady increase in the issuance of bank cards and fee income from bank card consumption.

Electronic banking service fees increased by RMB580 million or 22.9% to RMB3,108 million compared to the same period of the previous year. The increase was mainly attributable to rapid development of our electronic banking businesses, such as Internet banking, notification service and e-commerce banking.

Credit commitment fees increased by RMB290 million or 24.3% to RMB1,484 million compared to the same period of the previous year. The increase was mainly due to the increase in income from credit commitment fees from guarantees for banks and other financial institutions and foreign guarantees.

Custodian and other fiduciary service fees increased by RMB1,682 million or 233.0% to RMB2,404 million compared to the same period of the previous year. The increase was mainly due to expansion of the scale of assets under custody and the increase in income from our wealth management business, insurance business, fund business, and receipt and payment account custody business.

Other Non-interest Income

In the first half of 2013, other non-interest income amounted to RMB8,445 million, representing an increase of RMB4,300 million over the same period of the previous year.

Net trading gain amounted to RMB2,073 million, representing an increase of RMB392 million over the same period of the previous year. The increase was mainly due to the increase in net gain from precious metal business.

Net gain arising from financial instruments designated as at fair value through profit or loss amounted to RMB90 million, representing an increase of RMB215 million over the same period of the previous year. The increase was mainly due to the decrease of loss arising from the financial liabilities designated as at fair value through profit or loss.

Net gain on investment securities amounted to RMB334 million, representing an increase of RMB295 million over the same period of the previous year. The increase was mainly attributable to the gain on investment securities of RMB328 million from ABC Life Insurance Co., Ltd. in the first half of 2013.

Other operating income amounted to RMB5,948 million, representing an increase of RMB3,398 million over the same period of the previous year. The increase was mainly attributable to the inclusion of income of RMB4,020 million from insurance business upon the consolidation of ABC Life Insurance Co., Ltd. this year.

Composition of Other Non-Interest Income

In millions of RMB

Item	Six months ended 30 June 2013	Six months ended 30 June 2012
Net trading gain	2,073	1,681
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	90	(125)
Net gain on investment securities	334	39
Other operating income	5,948	2,550
Total	**8,445**	**4,145**

Operating Expenses

Operating expenses increased by RMB9,933 million to RMB94,071 million over the same period of the previous year. Staff costs amounted to RMB48,821 million, general operating and administrative expenses amounted to RMB17,893 million, depreciation and amortization amounted to RMB8,444 million, insurance benefits and claims amounted to RMB4,046 million, representing an increase of RMB2,964 million, RMB335 million, RMB1,086 million, RMB4,046 million, respectively, over the same period of the previous year. Cost-to-income ratio (under CASs) decreased to 31.99%, representing a decrease of 1.73 percentage points.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	Six months ended 30 June 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth rate (%)
Staff costs	48,821	45,857	2,964	6.5
General operating and administrative expenses	17,893	17,558	335	1.9
Business tax and surcharges	13,657	12,539	1,118	8.9
Depreciation and amortization	8,444	7,358	1,086	14.8
Insurance benefits and claims	4,046	—	4,046	—
Other	1,210	826	384	46.5
Total	**94,071**	**84,138**	**9,933**	**11.8**

Provision for Impairment Losses on Assets

In the first half of 2013, provision for impairment losses on assets amounted to RMB22,471 million, representing a decrease of RMB301 million compared to the same period of the previous year.

We remained prudent and dynamic in making allowance for impairment losses on loans based on our comprehensive assessment of uncertainties in the economic environment. The impairment losses on loans decreased by RMB605 million to RMB22,211 million compared to the same period of the previous year.

Income Tax Expense

In the first half of 2013, our income tax expense amounted to RMB27,118 million. The effective tax rate was 22.69%, 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 along the following three aspects: geographical segments, business lines and the County Area Banking Business.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2013		Six months ended 30 June 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Corporate banking business	129,776	55.0	118,874	56.4
Retail banking business	85,343	36.1	76,131	36.1
Treasury operations	15,065	6.4	14,771	7.0
Other business	5,860	2.5	1,136	0.5
Total operating income	**236,044**	**100.0**	**210,912**	**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 2013		Six months ended 30 June 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	15,190	6.4	23,260	11.0
Yangtze River Delta	51,454	21.8	45,139	21.4
Pearl River Delta	30,958	13.1	26,947	12.8
Bohai Rim	38,596	16.4	32,903	15.6
Central China	32,520	13.8	27,927	13.2
Western China	51,870	21.9	45,206	21.5
Northeastern China	8,454	3.6	7,562	3.6
Overseas and others	7,002	3.0	1,968	0.9
Total operating income	**236,044**	**100.0**	**210,912**	**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 2013		Six months ended 30 June 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	94,885	40.2	82,025	38.9
Urban Area Banking Business	141,159	59.8	128,887	61.1
Total operating income	**236,044**	**100.0**	**210,912**	**100.0**

Balance Sheet Analysis

Assets

At 30 June 2013, our total assets amounted to RMB14,222,601 million, representing an increase of RMB978,259 million or 7.4% compared to the end of the previous year. Net loans and advances to customers increased by RMB494,002 million or 8.0%. Net investment in securities and other financial assets increased by RMB246,094 million or 8.6%. Cash and balances with central banks decreased by RMB61,206 million or 2.3%. Deposits and placements with banks and other financial institutions increased by RMB267,688 million or 55.1%, which was mainly due to the increase in lending in order to optimize our capital utilization efficiency. Financial assets held under resale agreements decreased by RMB28,968 million or 3.6%, mainly due to the decrease in bonds held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	30 June 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	6,946,120	—	6,433,399	—
Less: Allowance for impairment losses on loans	298,707	—	279,988	—
Loans and advances to customers, net	6,647,413	46.7	6,153,411	46.4
Investment in securities and other financial assets, net	3,097,542	21.8	2,851,448	21.5
Cash and balances with central banks	2,551,905	17.9	2,613,111	19.7
Deposits and placements with banks and other financial institutions	753,301	5.3	485,613	3.7
Financial assets held under resale agreements	785,652	5.5	814,620	6.2
Others	386,788	2.8	326,139	2.5
Total assets	**14,222,601**	**100.0**	**13,244,342**	**100.0**

Loans and Advances to Customers

At 30 June 2013, our total loans and advances to customers amounted to RMB6,946,120 million, representing an increase of RMB512,721 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 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loans granted by domestic branches	6,684,837	96.2	6,242,913	97.0
Corporate loans	4,592,605	66.1	4,427,989	68.8
Discounted bills	159,963	2.3	107,601	1.7
Retail loans	1,932,269	27.8	1,707,323	26.5
Overseas and others	261,283	3.8	190,486	3.0
Total	**6,946,120**	**100.0**	**6,433,399**	**100.0**

Corporate loans amounted to RMB4,592,605 million, representing an increase of RMB164,616 million or 3.7% over the end of the previous year. We further transformed the operation of our corporate banking business, accelerated the adjustment in our credit structure, improved the services for the real economy and strengthened the credit support for national key projects, core customers, small and micro enterprises, new forms of urbanization and key regions.

Discounted bills increased by RMB52,362 million or 48.7% over the end of the previous year to RMB159,963 million, primarily because we appropriately adjusted the scale and structure of discounted bills in response to the changes in macro economy, financial market and monetary policies.

Retail loans increased by RMB224,946 million or 13.2% over the end of the previous year to RMB1,932,269 million and accounted for 27.8% of our total loans, representing an increase of 1.3 percentage points compared to the end of the previous year. The rapid development of retail loans was mainly because we grasped the opportunity arising from the government policy of boosting domestic demand, the corresponding income growth of residents and upgrade of their consumption structure, and used it to prioritize the development of retail business. We accelerated the transformation of retail business with focus on the development of personal consumption loans and loans to private businesses.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Short-term corporate loans	2,110,547	46.0	2,052,593	46.4
Medium- and long-term corporate loans	2,482,058	54.0	2,375,396	53.6
Total	**4,592,605**	**100.0**	**4,427,989**	**100.0**

At the end of June 2013, short-term corporate loans increased by RMB57,954 million over the end of the previous year, or 2.8%. Medium- and long-term corporate loans increased by RMB106,662 million, or 4.5%. The steady growth of medium- and long-term loans was mainly due to a moderate increase in the grant of premium medium- and long-term loans in response to the changes in the macro-economic and financial conditions.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Manufacturing	1,376,602	30.0	1,349,998	30.4
Production and supply of power, thermal power, gas and water	473,963	10.3	478,177	10.8
Real estate	500,923	10.9	459,978	10.4
Transportation, logistics and postal services	562,302	12.2	515,501	11.6
Wholesale and retail	512,151	11.2	477,434	10.8
Water, environment and public utilities management	205,199	4.5	200,362	4.5
Construction	202,714	4.4	202,875	4.6
Mining	203,344	4.4	188,557	4.3
Leasing and commercial services	314,693	6.9	290,196	6.6
Information transmission, software and IT services	18,523	0.4	20,798	0.5
Others	222,191	4.8	244,113	5.5
Total	**4,592,605**	**100.0**	**4,427,989**	**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 engaged 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.

During the reporting period, leveraging on strategic opportunities brought about by the economic restructuring of China, we continued to expand the coverage of our industry credit policy, strengthened the management of our customer lists and enhanced the support for advanced manufacturing industries, strategic emerging industries and modern services industries. Adhering to the principle of green credit, we supported technological upgrades of major industries, energy saving and environmental protection industries, and circular economy industries. We strengthened the risk prevention for real estate industry, local government financing vehicles and Industries with high energy consumption, high pollution and overcapacity. Therefore, the industry structure of our loan portfolio was further improved.

At the end of June 2013, the five major industries of our corporate loans included: (1) manufacturing; (2) transportation, logistics and postal services; (3) wholesale and retail; (4) real estate; and (5) production and supply of power, thermal power, gas and water. Aggregate loans to the five major industries accounted for 74.6% of our total corporate loans, representing an increase of 0.6 percentage point over the end of the previous year.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Residential mortgage loans	1,189,325	61.5	1,050,999	61.6
Personal consumption loans	194,859	10.1	170,365	10.0
Loans to private businesses	237,235	12.3	200,397	11.7
Credit card overdraft	163,840	8.5	149,138	8.7
Loans to rural households	145,458	7.5	134,484	7.9
Others	1,552	0.1	1,940	0.1
Total	**1,932,269**	**100.0**	**1,707,323**	**100.0**

At 30 June 2013, our residential mortgage loans increased by RMB138,326 million or 13.2% over the end of the previous year to RMB1,189,325 million. We actively complemented the macro policy of the government on the real estate market, strengthened cooperation with high-quality real estate developers and intermediary institutions, and prioritized the loan provision to households purchasing their first residential house, resulting in an increase in residential mortgage loans.

Personal consumption loans increased by RMB24,494 million or 14.4% over the end of the previous year to RMB194,859 million. We capitalized on the increases in income and consumption demand of residents by strengthening the marketing of products such as loans secured by residential mortgages, personal pledged loans and loan credits based on salary level, as well as optimizing services for premium retail customers, resulting in a growth in personal consumption loans.

Loans to private businesses increased by RMB36,838 million or 18.4% over the end of the previous year to RMB237,235 million. The increase was mainly because we increased the lending to owners of small and micro enterprises and self-employed businesses.

Credit card overdraft increased by RMB14,702 million or 9.9% over the end of the previous year to RMB163,840 million. The increase was mainly due to our great efforts in developing credit card instalment payment business and the continuous increase of the number of credit cards issued, credit card consumption and transaction volume of instalment business.

Loans to rural households increased by RMB10,974 million or 8.2% over the end of the previous year to RMB145,458 million. The increase was mainly because we accelerated the operation transformation of rural loans business, and adjusted and optimized the customer structure by increasing the number of rural loan customers with the grade "Good" or above.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	126,247	1.8	106,084	1.6
Yangtze River Delta	1,736,546	25.0	1,663,800	25.8
Pearl River Delta	986,348	14.2	910,887	14.2
Bohai Rim	1,212,482	17.5	1,131,843	17.6
Central China	848,607	12.2	783,830	12.2
Northeastern China	265,934	3.8	243,592	3.8
Western China	1,508,673	21.7	1,402,877	21.8
Overseas and others	261,283	3.8	190,486	3.0
Total	**6,946,120**	**100.0**	**6,433,399**	**100.0**

We have placed great emphasis on the coordinated development of loan business in different regions. During the reporting period, loan business in Eastern China maintained steady growth, and the credit resources allocated to Central and Western China and Northeastern China were increased appropriately. In addition, we further improved the differentiated credit management for different regions and increased the loans to national key regions. At the end of June 2013, the growth rates of loans to overseas and others, Central China and Northeastern China surpassed the Bank-wide average.

Investments

At 30 June 2013, our net investments in securities and other financial assets increased by RMB246,094 million to RMB3,097,542 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 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	2,429,891	78.4	2,234,895	78.4
Restructuring-related debt securities	486,183	15.7	486,183	17.0
Equity instruments	1,949	0.1	1,445	0.1
Others	179,519	5.8	128,925	4.5
Total	**3,097,542**	**100.0**	**2,851,448**	**100.0**

In the first half of 2013, we strengthened the analysis on macro-economic situation, seized market opportunities and improved the structure of debt securities continuously. At 30 June 2013, non-restructuring-related debt securities investments increased by RMB194,996 million over the end of the previous year.

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

Item	30 June 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss[1]	248,453	8.0	178,555	6.3
Available-for-sale financial assets	854,460	27.6	755,503	26.5
Held-to-maturity investments	1,381,121	44.6	1,308,796	45.9
Debt securities classified as receivables	613,508	19.8	608,594	21.3
Total	**3,097,542**	**100.0**	**2,851,448**	**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 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	657,477	27.1	654,454	29.3
PBOC bills	59,748	2.5	107,353	4.8
Bonds issued by policy banks	1,134,360	46.6	1,001,584	44.8
Bonds issued by banks and other financial institutions	124,549	5.1	92,739	4.2
Bonds issued by entities in public sectors and quasi-governments	75,630	3.1	69,256	3.1
Corporate bonds	378,127	15.6	309,509	13.8
Total	**2,429,891**	**100.0**	**2,234,895**	**100.0**

The proportion of investment in bonds issued by policy banks and corporations both increased by 1.8 percentage points. This was mainly because we further refined our investment portfolio in accordance with the market change and increased the investment in bonds issued by policy banks and corporations with better risk-return combination. The proportion of investments in the PBOC bills to the total non-restructuring-related debt securities investments decreased by 2.3 percentage points, mainly because the issuance of bills was few and certain PBOC bills held by us matured during the reporting period.

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

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Overdue	2	—	5	—
Less than 3 months	189,844	7.8	83,005	3.7
3–12 months	317,997	13.1	400,558	17.9
1–5 years	1,186,875	48.8	1,113,211	49.8
More than 5 years	735,173	30.3	638,116	28.6
Total	**2,429,891**	**100.0**	**2,234,895**	**100.0**

The increased proportion of debt securities with remaining maturity of less than three months was mainly because we increased the investment in short-term bonds with high yields when the interest rate of monetary market was high.

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

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
RMB	2,356,520	97.0	2,171,858	97.2
USD	54,007	2.2	44,897	2.0
Other foreign currencies	19,364	0.8	18,140	0.8
Total	**2,429,891**	**100.0**	**2,234,895**	**100.0**

At 30 June 2013, we did not hold any debt securities of Greece, Ireland, Portugal, Spain and Italy. We held debt securities issued by other European issuers with stable risk profiles.

Investment in Financial Bonds

Financial bonds refer to the securities issued by the PRC policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. At 30 June 2013, the balance of financial bonds of the Bank was RMB1,258,909 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 of 30 June 2013.

In millions of RMB, except for percentages

Name of Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2013 policy bank bonds	11,070	3.89%	2016-01-10	—
2012 policy bank bonds	10,140	3.19%	2013-09-17	—
2012 policy bank bonds	10,000	3.10%	2014-04-28	—
2011 policy bank bonds	10,000	3.81%	2017-12-23	—
2011 policy bank bonds	10,000	4.23%	2017-12-23	—
2012 policy bank bonds	10,000	3.12%	2014-01-20	—
2012 policy bank bonds	10,000	3.22%	2014-06-29	—
2012 policy bank bonds	10,000	3.94%	2014-12-28	—
2013 policy bank bonds	9,810	4.07%	2020-04-11	—
2011 policy bank bonds	9,550	4.00%	2016-11-08	—

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

Liabilities

At 30 June 2013, our total liabilities increased by RMB938,382 million or 7.5% over the end of the previous year to RMB13,431,370 million. Deposits from customers increased by RMB624,248 million or 5.7%, while deposits and placements from banks and other financial institutions increased by RMB75,460 million or 8.1%. Financial assets sold under repurchase agreements increased by RMB6,592 million or 86.4%, mainly due to the increase in bonds sold under repurchase agreements.

Key Items of Liabilities

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	11,487,183	85.5	10,862,935	87.0
Deposits and placements from banks and other financial institutions	1,009,533	7.5	934,073	7.5
Financial assets sold under repurchase agreements	14,223	0.1	7,631	—
Bonds issued	150,893	1.1	150,885	1.2
Other liabilities	769,538	5.8	537,464	4.3
Total	**13,431,370**	**100.0**	**2,492,988**	**100.0**

Deposits from Customers

At 30 June 2013, deposits from customers increased by RMB624,248 million or 5.7% over the end of the previous year to RMB11,487,183 million. In terms of the customer structure, the corporate deposits increased by RMB203,151 million or 5.1% over the end of the previous year, and the retail deposits increased by RMB330,792 million or 5.2% over the end of the previous year. In view of the maturity of deposits, the proportion of demand deposits decreased by 2.3 percentage points over the end of the previous year to 52.1%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Domestic deposits	11,428,219	99.5	10,813,416	99.5
Corporate deposits	4,183,634	36.4	3,980,483	36.6
Time	1,451,679	12.6	1,277,486	11.8
Demand	2,731,955	23.8	2,702,997	24.8
Retail deposits	6,752,668	58.8	6,421,876	59.1
Time	3,504,949	30.5	3,200,068	29.5
Demand	3,247,719	28.3	3,221,808	29.6
Other deposits[1]	491,917	4.3	411,057	3.8
Overseas and others	58,964	0.5	49,519	0.5
Total	**11,487,183**	**100.0**	**10,862,935**	**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

	30 June 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	52,537	0.5	60,463	0.6
Yangtze River Delta	2,568,951	22.4	2,451,437	22.5
Pearl River Delta	1,554,784	13.5	1,496,633	13.8
Bohai Rim	2,026,951	17.6	1,920,441	17.7
Central China	1,931,432	16.8	1,774,725	16.3
Northeastern China	615,567	5.4	578,199	5.3
Western China	2,677,997	23.3	2,531,518	23.3
Overseas and others	58,964	0.5	49,519	0.5
Total	**11,487,183**	**100.0**	**10,862,935**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Demand	6,647,755	57.8	6,564,313	60.4
Less than 3 months	1,316,994	11.5	1,277,751	11.8
3–12 months	2,431,037	21.2	1,966,871	18.1
1–5 years	1,090,383	9.5	1,053,998	9.7
More than 5 years	1,014	—	2	—
Total	**11,487,183**	**100.0**	**10,862,935**	**100.0**

Shareholders' Equity

At 30 June 2013, the shareholders' equity of the Bank amounted to RMB791,231 million, representing an increase of 5.3% compared to the end of the previous year. Net assets per share increased by RMB0.12 over the end of the previous year to RMB2.43.

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

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	324,794	41.0	324,794	43.2
Capital reserve	98,773	12.5	98,773	13.1
Investment revaluation reserve	(2,289)	(0.3)	(901)	(0.1)
Surplus reserve	44,033	5.6	43,996	5.9
General reserve	139,178	17.6	75,349	10.0
Retained earnings	186,144	23.5	208,488	27.8
Foreign currency translation reserve	(965)	(0.1)	(684)	(0.1)
Equity attributable to equity holders of the Bank	789,668	99.8	749,815	99.8
Non-controlling interests	1,563	0.2	1,539	0.2
Total equity	**791,231**	**100.0**	**751,354**	**100.0**

Off-balance sheet Items

The Bank's off-balance sheet items mainly include the financial derivatives, contingent liabilities and commitments. The Bank enters into exchange rate, interest rate and precious metals related derivative contracts for the purposes of trading, asset and liability management and agency business. The contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwritings and redemption commitments, collateral and legal proceedings. Credit commitment is a major component of the off-balance sheet items and comprises 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 2013 Amount	30 June 2013 Percentage (%)	31 December 2012 Amount	31 December 2012 Percentage (%)
Loan commitments	435,198	30.2	563,941	37.9
Acceptances	440,689	30.7	397,311	26.6
Letters of guarantee issued and guarantees	188,278	13.1	181,872	12.2
Letters of credit issued	164,378	11.4	146,712	9.9
Credit card commitments	210,409	14.6	199,555	13.4
Total	**1,438,952**	**100.0**	**1,489,391**	**100.0**

Other Financial Information

Changes in Accounting Policies

Please refer to Note 3 to the Condensed Consolidated Interim Financial Statements: "Principal Accounting Policies" for details.

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 CASs and those prepared in accordance with IFRSs by the Bank.

Equity Investment in Other Companies

Shares Held by the Bank in Other Listed Companies and Financial Enterprises[1]

Name of investee company	Investment cost (RMB Yuan)	Number of shares held at the beginning of the period (10,000 shares)	Shareholding percentage at the beginning of the period (%)	Number of shares held at the end of the period (10,000 shares)	Shareholding percentage at the end of the period (%)	Book value at the end of the period (RMB Yuan)	Gain/loss during the reporting period[2] (RMB Yuan)	Change in shareholders' equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
MasterCard Incorporated	10,573,299	4	0.01	4	0.01	112,695,962	—	29,290,565	Available-for-sale financial assets	Investment of self-owned capital
Visa Inc.	15,030,207	6	0.03	6	0.03	50,778,187	—	15,967,502	Available-for-sale financial assets	Investment of self-owned capital
China UnionPay Co., Ltd	146,250,000	11,250	3.84	11,250	3.84	146,250,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Evergrowing Bank Co., Ltd	11,750,000	3,176	0.45	3,176	0.45	11,750,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
China Guangfa Bank Company Limited	61,433,777	2,219	0.14	2,219	0.14	61,433,777	—	—	Available-for-sale financial assets	Investment of self-owned capital
Shaanxi Coal and Chemical Industry Group Financial Co., Ltd	100,074,554	10,000	10	10,000	10	99,575,759	—	—	Financial assets designated at fair value through profit or loss	Investment of self-owned capital

Notes: 1. *The shares of listed companies and financial enterprises specified above are recognized as financial assets designated at fair value through profit or loss and available-for-sale financial assets.*
In February 2013, Changde Branch of the Bank transferred all of its shares in Hunan Gaea Gem Co., Ltd. to Hunan Jinxia Grain Industrial Corp., Ltd.
2. *Mainly including investment gains.*

Trading of shares of other listed companies

Number of shares bought during the reporting period (shares)	Number of shares sold during the reporting period (shares)	Fund used (RMB Yuan)	Investment return incurred (RMB Yuan)
—	92,656,550	—	304,778,531

Business Review

Corporate Banking

In the first half of 2013, to cope with the changes in policies and markets, the Bank continuously deepened the transformation of corporate banking business. We exerted efforts in serving the real economy and promoted the establishment of marketing lists for major projects, as well as supported key industries such as advanced manufacturing industries and strategic emerging industries. We accelerated the establishment of customer base of small and micro enterprises, strengthened the financial support to high quality small and micro enterprises and optimized our system and business processes, so as to develop our small and micro enterprises corporate banking business brand. We carried out specific and synergistic marketing, and reinforced the cooperation with major customers so as to develop our emerging fee- and commission-based business. In order to strengthen the loyalty of our customers, we enhanced our cash management and corporate internet banking marketing and strengthened the development and sales of wealth management financing, trade financing, supply chain financing, syndicated loans, bond underwriting and easy loans for small enterprises. Through enhancing our capital constraints and cost control, the consolidated return from our corporate banking business increased.

As of the end of June 2013, we had 3.08 million corporate banking customers, of which 0.0759 million had outstanding loan balances.

Corporate Loans and Deposits

In the first half of 2013, in response to the challenges brought by the liberalization of interest rate and the liquidity market environment management, the Bank accelerated innovation of its financial products and services, strictly controlled the proportion of high cost debt and put efforts in the marketing of settlement funds. Corporate deposits maintained a steady growth. As of 30 June 2013, the balance of our domestic corporate deposits reached RMB4,183,634 million, representing an increase of RMB203,151 million or 5.1% over the end of the previous year.

During the reporting period, we focused on providing services to the real economy and continued to refine our loan portfolio. Through exerting great marketing efforts for major projects and strict implementation of industrial credit policies, our loan portfolio was further optimized. As of 30 June 2013, our outstanding domestic corporate loans and discounted bills amounted to RMB4,752,568 million, representing an increase of RMB216,978 million or 4.8% over the end of the previous year. Valued corporate customers accounted for 75.6% of the total number of our corporate customers. The proportion of loans to valued corporate customers amounted to 87.2% of total corporate loans.

During the reporting period, we strictly followed the national macro-control policies on the real estate industry, by controlling the total loans provided for real estate industry and refining the structure of real estate loans. We also focused on providing support to major customers and valued customers of headquarters and tier-1 branches, enhanced post-disbursement management and prevented risk related to real estate loans. As of 30 June 2013, the balance of loans to corporate customers in the real estate industry amounted to RMB356,090 million, representing an increase of RMB9,301 million over the end of the previous year. Real estate loans granted to customers of AA- grade or above accounted for 80.1% of the total real estate loans to corporate customers, representing an increase of 6.4 percentage points over the end of the previous year. Non-performing loans and the non-performing loan ratio decreased by RMB1,238 million and 0.37 percentage point, respectively, over the end of the previous year.

Small and Micro Enterprise Banking Business

During the reporting period, the Bank conscientiously implemented the government policy aiming at supporting the development of small and micro enterprises, and put efforts in developing an effective business model for providing services to small and micro enterprises by large commercial banks. We endeavoured to develop the branch outlets as an integrated financial services platform to provide comprehensive financial services including payment and settlement, credit and financing, investment and wealth management, cash management and electronic banking for small and micro enterprises. We formulated tailor-made credit plans with specific funding allocation for small and micro enterprises. We also strengthened the credit support for small and micro enterprises in the County Areas as well as high quality small and micro enterprises engaging in technology, innovative and start-up businesses. In addition, we enhanced the development and promotion of new financial products for small and micro enterprises including the featured products such as "easy loans", and launched receivables pledge and financing business, bill express products and financial service solutions for small enterprises. Moreover, we speeded up the application of internet channels and technologies to effectively expand the coverage of our financial services to small and micro enterprises and provide more convenient financial services.

As of 30 June 2013, loans to small and micro enterprises amounted to RMB742,128 million[1], representing an increase of RMB85,944 million or 13.1% over the end of the previous year. The growth rate was higher than that of the total loans of the Bank by 5.1 percentage points.

Institutional Banking

As of the end of June 2013, we established agency cooperation relationships with 121 banks. We offered third-party depositary services to 99 securities firms for their transaction settlement funds, and the number of our contracted customers reached 13,885.4 thousand. The average daily balance of funds deposited amounted to RMB66,340 million. A total of 154 futures brokerage companies used our Bank-Futures Account System and 159 futures brokerage companies established cooperation relationships with us, with outstanding margin deposits amounting to RMB31.157 billion. We established comprehensive cooperation relationships with bank-owned financial leasing companies and the balance of credit support reached RMB47.031 billion. The aggregate transaction volume of agency services provided to the treasury of the PRC central government amounted to RMB157,221 million, representing an increase of 9.2% compared to the corresponding period of the previous year. Our presence in the bancassurance market continued to expand. The number of insurance companies using our bancassurance system reached 43, and we collected new insurance premiums of RMB63,778 million, and our market share ranked first among the Big Four Banks in terms of revenue.

1 *The Bank adjusted the statistical range according to the Guidelines on Promotion of Financial Services for Small and Micro Businesses issued by the CBRC (Yin Jian Fa [2013] No. 7), concluding the loans to both private industrial households and masters of small and micro businesses into the scope of loans to small and micro enterprises.*

Settlement and Cash Management

Payment and Settlement

The Bank consistently optimized and innovated value added settlement and account services, and developed settlement account services for corporate customers actively. As a result, its customer base continued to expand. We also strengthened the promotion of settlement package and settlement card products to corporate customers, and refined and enriched settlement agency products with an aim to expand and strengthen cooperation with customers. As of the end of June 2013, we had 3.9001 million RMB-denominated corporate settlement accounts, representing an increase of 4.9% over the end of the previous year. In the first half of this year, RMB-denominated corporate settlement transaction volume amounted to RMB173.67 trillion, representing an increase of 32.7% compared to the same period of the previous year.

Cash Management

The Bank enriched the cash management services, streamlined cash management business process and established service teams for group customers to strengthen its cash management services to high-end group customers. The Bank exerted efforts in innovating and promoting cash management products provided to small- and medium-sized enterprises, so as to provide comprehensive, high quality, safe and convenient financial services. Attributable to the cooperation with domestic and foreign customers, the global cash management business of the Bank grew rapidly. The presence of "Xing Yun", our cash management brand, in the market continued to expand. As of the end of June 2013, we had 0.221 million cash management customers, representing an increase of 36.4% compared to the end of the previous year. Total transaction volume of cash management reached RMB70.39 trillion, representing an increase of 46.3% compared to the corresponding period of the previous year.

Trade Financing and International Settlement

During the reporting period, in addition to consolidating the competitive edge of our international settlement and exchange settlement businesses, the Bank exerted efforts in expanding overseas guarantee business and establishing trade financing product system. We extended key products such as commodity trade financing, international factoring, receivables pool financing, and cross-border RMB settlement, to satisfy customers' business need for start-to-finish trade financing. As a result of our continuous promotion and development of innovative products, our cross-border RMB-denominated settlement business experienced a rapid growth. In the first half of 2013, the accumulated volume of international trade financing from our domestic branches amounted to USD61,760 million. The total volume of international settlement conducted by our domestic branches amounted to USD388,536 million, representing an increase of 16.4% compared to the corresponding period of the previous year. Our domestic branches issued an aggregate of USD11,266 million of letters of guarantee, representing an increase of 78.1% compared to the corresponding period of the previous year. Cross-border RMB-denominated settlement totalled RMB292,336 million, representing an increase of 74.4% compared to the corresponding period of the previous year.

Investment Banking

In the first half of 2013, we further regulated our investment banking operations in response to the changes in regulatory policies and market environment. We actively expanded high-end investment banking businesses such as bond underwriting, syndicated loans, wealth management and financing businesses to effectively enhance the capability of our investment banking business to serve the real economy.

During the reporting period, we issued 111 debt financing instruments with proceeds of RMB145,734 million, representing an increase of 57.0% compared to the corresponding period of the previous year. We acted as a lead manager and participated in 108 syndicated projects in the first half of year, and outstanding syndicated loans amounted to RMB427,100 million, representing an increase of 10.9% over the end of the previous year. We also launched wealth management and financing business and provided such services to over 300 core customers. We provided support to customers in their listing and mergers and acquisitions. The business scale of our listing financial advisory, M&A and restructuring advisory and M&A loan kept expanding. We steadily developed credit asset securitization business and expanded pilot operations of credit asset securitization. Furthermore, we closely followed the energy saving and emission reduction and green development policy formulated by the government, and continued to boost the development of new products including "Energy Management Contract (EMC) consultation and financing" so as to maintain and enhance our advantage in the innovation of green banking.

Custody Service

As of the end of June 2013, we had RMB3,321,208 million of assets under custody, representing an increase of 11.7% over the end of the previous year. Among them, insurance assets under custody amounted to RMB1,571,591 million, representing an increase of 16.8% over the end of the previous year. In the first half of this year, our custodian and other fiduciary service fees amounted to RMB2,404 million, representing an increase of 233.0% compared to the corresponding period of the previous year.

Pension Business

In the first half of 2013, we won the bids for a number of pension fund projects of several well-known enterprises, actively promoted the integrated schemes for corporate annuity and expanded our custody business for the new rural pension insurance fund program and various social security funds steadily to enhance the diversification of our pension business. As of the end of June 2013, pension funds under our custody reached RMB187,415 million, representing an increase of 11.6% over the end of the previous year.

Retail Banking

In the first half of 2013, we prioritized the development of retail banking business, deepened the transformation of retail banking business, expanded the coverage of the transformation of retail banking from the Urban Areas to the County Areas, implemented innovative development strategies and differentiated development strategies for different regions. We continued to promote the transformation of branch outlets, expedite the optimization of network distribution and standardization of establishments and launch trial operations on intelligent service outlets to enhance customers' experience. We also improved our refined customer management and worked on brand system building for our classified customer service, and accelerated the construction of a VIP service platform featuring private banking, wealth management, financial center, and VIP service zone.

As of the end of June 2013, we had 420 million retail customers, ranking first among all large commercial banks, and among which we had more than 17 million VIP retail customers. We had over 14,000 domestic Associate Financial Planners (AFP), over 1,900 international Certified Financial Planners (CFP) and more than 600 Executive Financial Planners (EFP), maintaining a leading position among all commercial banks in China.

Retail Loans

During the reporting period, we carried out specialized marketing on loans to private business in large scale specialized markets and of core enterprises in the industrial chains in order to strengthen the mass marketing and financial support to owners of small and micro enterprises and self-employed businesses. We successfully commenced operations of the online retail loans platform system, and made remarkable transformation in the operation retail loans. We actively supported households to purchase their first common commercial house for their own use, and extra efforts were put in marketing for projects such as residential loans secured by mortgages, automotive syndicated loans and "Bao Jie Dai" and fulfilling credit demand of residents for consumer durables, new consumer products, and consumption services such as education and travel. We further transformed the retail loan operation mode, improved the retail loan system, and enhanced the operation quality and efficiency of the retail loan center. As of 30 June 2013, the balance of retail loans reached RMB1,932,269 million, representing an increase of 13.2% over the end of the previous year.

Retail Deposits

In the first half of 2013, in response to the liberalization of interest rates, we adjusted the development strategy for liability business by adopting the balance development mode between growth in scale and cost control. We optimized product functions of retail account management, focused on improving customer relationship management and further consolidated advantage of liabilities with low cost. As a result, our retail deposits recorded steady growth. As of 30 June 2013, the balance of domestic retail deposits reached RMB6,752,668 million, representing an increase of RMB330,792 million over the end of the previous year.

Bank Cards

As of the end of June 2013, the number of debit cards issued amounted to 589 million, representing an increase of 39 million over the end of the previous year. The number of debit IC cards issued amounted to 66.5851 million, representing an increase of 44.6867 million over the end of the previous year. In the first half of 2013, the transaction volume of debit cards amounted to RMB2,456,714 million, representing an increase of 46.8% compared to the corresponding period of the previous year. As of the end of June 2013, the number of credit cards issued amounted to 41.4062 million and our dedicated merchants of credit cards amounted to 0.653 million. In the first half of 2013, the transaction volume of credit cards amounted to RMB362,650 million, representing an increase of 25.2% compared to the corresponding period of the previous year[1].

We strengthened the brand building of Kins card, accelerated the research and development and promotion of debit IC cards. We enriched the product lines of debit cards, launched Southeast Asia travel card, Kins Card for online purchases and supplementary cards for pay checks of soldiers. We also launched marketing events including "Introducing Financial IC Card to Campus and Community". We issued over a million IC credit cards featuring QQ, which was the first of its kind in the industry. In view of the rapid growth of overseas consumption, we introduced the "Enjoy World Travel Card" and organized "See the World", a promotional activity for overseas travel covering popular destinations such as Korea, Taiwan and the U.S. We boosted credit card payments in China and overseas by organizing a series of activities. We also actively explored new channels such as Weixin and Weibo to conduct business promotion and interactions with customers.

Item	30 June 2013	31 December 2012	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	58,873.21	55,041.26	7.0
Number of credit cards issued (unit: 10,000)	3,664.30	3,243.99	13.0
	Six months ended 30 June 2013	**Six months ended 30 June 2012**	**Growth Rate (%)**
Transaction volume for debit cards (RMB100 million)	24,567.14	16,733.87	46.8
Transaction volume for credit cards (RMB100 million)	3,586.27	2,856.32	25.6

1 *The bank credit cards including Credit Card and Quasi-credit Card.*

Agency Distribution of Fund Products

In the first half of 2013, we focused on the development of high quality customer base and integration of sales channels, the fund business achieved sustainable and healthy development. In the first half of 2013, we distributed fund products with a total transaction volume of RMB110,750 million, representing an increase of RMB42,099 million compared to the same period of the previous year.

Agency Sales of PRC Government Bonds

In the first half of 2013, we were approved as a pilot bank in the sales of electronic saving treasury bonds through online banking. During the reporting period, we acted as an agent for the issuance of six batches of saving treasury bonds, among which, two batches were certificated saving treasury bonds with actual sales of RMB8,363 million and four batches were electronic saving treasury bonds with actual sales of RMB10,617 million.

Private Banking Business

As of the end of June 2013, we established the private banking departments in 20 branches. The number of customers of private banking business reached 0.043 million and the assets under custody amounted to RMB479,000 million, representing an increase of 21.0% compared to the end of the previous year.

During the reporting period, we further improved maintenance services to each of our high-end customers with a wealth management consultant, a wealth management plan and a specific customer manager. The professional service capabilities of our retail banking continued to improve. The contracted service mode for retail banking customers was optimized. We further diversified product collaboration mechanism to satisfied wealth management demands from customers with exclusive wealth management products, investment products and tailor-made products. We also refined the integrated financial services for shareholders subject to restrictions on sales, cross-border financial services, exclusive credit services, legal and tax consultation services. We provided value added services such as "butler services" in respect of travelling, healthcare, luxury living, leisure activities and social networking. We accelerated the establishment of trading system, management system and channel system so as to provide efficient information technology support.

Treasury Operations

Money Market Activities

During the first four months in 2013, funds outstanding for foreign exchange increased rapidly due to the expectation of RMB appreciation. Under prudent monetary policies of the PBOC, the overall interbank market liquidity was loose and the average seven-day repurchase interest rate was 3.3%. In May, as the PBOC slightly tightened the monetary policies and affected by the expectation on the U.S. Federal Reserve to exit from the quantitative easing monetary policy as well as the sharp reduction in new funds outstanding for foreign exchange, the monetary market interest rate increased rapidly along with the changes in policies and expectations. In light of the above monetary market environment, we adopted various measures in response to changes in market liquidity to ensure our sufficient liquidity, and we also actively capitalized on our advantages as a large bank to increase the lending transaction volume. In the first half of 2013, our RMB-denominated financing transaction volume amounted to RMB6,259,412 million, including lending of RMB5,426,607 million and borrowing of RMB832,805 million.

We continued to adopt a prudent strategy for short-term foreign currency investment, closely monitored the changes in credit level of overseas counterparties and adjusted investment strategies in response to changes in a timely manner.

Investment and Trading Activities

At 30 June 2013, our net investment securities and other financial assets amounted to RMB3,097,542 million, representing an increase of RMB246,094 million compared to the end of the previous year.

Trading Activities

In the first half of 2013, we closely monitored the macro-economic situation, changes in economic policies and interbank market liquidity fluctuations. We flexibly adjusted our trading strategies to seize trading opportunities arising from fluctuations in market liquidity and recorded better returns. The yield of bonds in trading book surpassed the yield of the CSI Bond Index by 1.67 percentage points. We actively developed an efficient RMB-denominated bond market maker business and the RMB-denominated bond trading volume amounted to RMB420,046 million in the first half of the year.

Banking Book Activities

In the first half of 2013, the yield curve of the RMB-denominated bonds market experienced a violent fluctuation, with a trend dropping sharply at first and then gradually recovering at a steady pace. Based on our judgment and analysis of the prospects and trend of interest rates, we fine-tuned our investment strategies, improved flexibility of portfolio combinations and continued to optimize bond portfolio and maturity structure. We also increased our holding of bonds issued by policy banks and credit bonds with better risk-return combination when opportunities arose, so as to improve the yield of the investment portfolio effectively.

In the first half of 2013, we adhered to prudent foreign currency investment strategies to cope with the changing and complicated international financial market environment. We selectively acquired certain bonds with higher credit quality and optimized investment portfolio structure and steadily improved fund utilization efficiency while maintaining stringent risk control. As of 30 June 2013, our foreign bonds investment package for our own account amounted to RMB73,371 million.

Treasury Transactions on Behalf of Customers

We continued to optimize the exchange settlement business structure and encouraged the development of our foreign currency trading business. We expended our efforts in product innovation and continued to strengthen our risk control on treasury transactions on behalf of customers. In the first half of 2013, the transaction volume of our RMB exchange settlement on behalf of customers reached USD137,712 million, and that of foreign exchange trading on behalf of customers amounted to USD4,118 million.

Wealth Management

Retail Wealth Management

In order to satisfy increasing demand for wealth management from retail investors, we promoted innovations in wealth management products and sales models, which resulted in rapid development of retail wealth management business. In addition to the existing open non-capital preservation products, we developed and introduced an open capital preservation product "Ben Li Feng — Every Day Return". Targeting mid-to high-end customers, we developed and introduced bond yield-graded wealth management products. In the first half of 2013, we issued retail wealth management products of RMB1,920,432 million. As of 30 June 2013, the balance of our retail wealth management products amounted to RMB486,735 million and our market share further increased.

Corporate Wealth Management

Our "An Xin Kuai Xian" open series products, "Ben Li Feng" corporate series products, "An Xin De Li" corporate series products, "Hui Li Feng" corporate series products and "Kai Yang" equity series products gained positive feedback from customers for their stable yields and flexible maturities. The number of contracted customers for wealth management steadily increased. In the first half of 2013, we issued corporate wealth management products of RMB760,244 million. As of 30 June 2013, the balance of our corporate wealth management products amounted to RMB231,065 million.

Management of off-balance sheet wealth management products

The accounting and management of our off-balance sheet wealth management products were in compliance with the CASs and relevant regulations. Funds from our off-balance sheet wealth management products were all under custody. We prepared separate operating reports for each asset portfolio. 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.

In the first half of 2013, we issued various off-balance sheet wealth management products in an aggregate amount of RMB1,727,700 million. As of 30 June 2013, the balance of our off-balance sheet wealth management products amounted to RMB304,600 million. All of the off-balance sheet wealth management products issued and redeemed achieved the expected yield.

Precious Metal Business

In the first half of 2013, affected by the economic recovery of the U.S. and the expectation on the U.S. Federal Reserve to exit from the quantitative easing monetary policy, the prices of gold and silver plunged with fluctuation, and the price of precious metal decreased, causing the market demand for precious metal to increase. As the major precious metal market making bank in the PRC, we actively engaged in trading in the Shanghai Gold Exchange, the Shanghai Futures Exchange and overseas market to provide sufficient liquidity of precious metal in domestic market and fulfill the demand of customers for precious metal trading, investment and hedging. In the first half of 2013, we traded 595.81 tons of gold and 2,933.32 tons of silver for our own account and on behalf of customers, representing an increase of 89.15% and 157.64%, respectively, compared to the corresponding period of the previous year. The income of precious metal business was RMB950 million, representing an increase of 102.22% compared to the corresponding period of the previous year. We steadily carried out precious metal leasing and hedging businesses and promoted the sales of physical precious metals. The balance of the precious metal leasing business and the hedging business increased by 77.75%, compared to the end of the last year. The sales volume of the physical precious metals increased by 146.51%, compared to the corresponding period of the previous year. In addition, we launched the retail account precious metal transaction system in May 2013, realizing operations of agency trading of the Shanghai Gold Exchange for our retail transaction business throughout the Bank.

Distribution Channels

Branch Outlets

During the reporting period, aiming at stabilizing township outlets, adjusting county-level capital outlets and optimizing urban outlets, we continued to refine the layout of our branch outlets, implement standardized transformation and reconstruction of branch outlets and enhance marketing capabilities effectively. We finished the relocation of 312 outlets in the first half of 2013. As of the end of June 2013, we had 18,469 branch outlets with specific functional zones, representing an increase of 1,161 compared to the end of the previous year.

Electronic Banking

We refined our operation model and management mode; monitored, identified and responded to market changes and customer demands timely; and applied advanced technologies to create a completely new customer experience and offer customers a new convenient and tailored electronic banking service. In the first half of 2013, we completed 20,759 million electronic transactions, representing an increase of 57.9% over the corresponding period of the previous year, accounting for 72.4% of our total number of transactions, representing an increase of 8.1 percentage points over the corresponding period of the previous year.

Internet Banking

In the first half of 2013, we further strengthened our product research and development and innovation to establish a secured and reliable internet banking system with complete functions, variety of value-added services and smooth operation based on the platforms of our online banking and portal website.

We continued to upgrade the function of retail Internet banking system. The 6.1 version of retail Internet banking system was developed and put into operation with additional services and functions including Western Union money transfer, cross-border telegraphic transfer and saving bonds. As of the end of June 2013, we had 103 million retail Internet banking customers with the transaction volume for the first half of 2013 amounting to RMB42.82 trillion, representing an increase of 7.1% over the corresponding period of the previous year.

We enhanced the construction of corporate Internet banking system. The 5.2 version of corporate Internet banking system was developed and put into operation, and the functions of wealth management products, fund service and international business were optimized. At the end of June 2013, we had 2.2641 million corporate Internet banking customers with the transaction volume for the first half of 2013 amounting to RMB32.89 trillion, representing an increase of 35.9% over the corresponding period of the previous year.

We continued to build our portal websites cluster. The function of online application for credit card and loan was improved and the sub-sites of Dubai branch and Tokyo branch were put into operation. In the first half of 2013, the click-through rate of our portal websites exceeded 2.56 billion, representing an increase of 30.0% over the corresponding period of the previous year.

Telephone Banking

In the first half of 2013, we speeded up the establishment of telephone banking system. Development of our online customer service systems was completed so that we were able to offer services such as online communication, offline reply and self-service Q&A. The telephone banking system was upgraded and optimized and the hospital registration function was put into operation. In the first half of 2013, we received 206 million calls via our 95599 customer service center and 31.85 million calls via our manual customer service. As of the end of June 2013, we have a total of 107 million telephone banking customers.

Mobile Banking

In the first half of 2013, we issued mobile banking (Android version) V1.1.0 and mobile banking (iPhone version) V1.1.0, optimized the information service platform and commenced the establishment of mobile payment platform. As of the end of June 2013, our mobile banking business had 71.44 million Internet banking customers and 173 million SMS banking customers. In the first half of 2013, the transaction volume of mobile banking amounted to RMB523.3 billion, representing an increase of 223.8% compared to the same period of the previous year, with a total of 4.1 billion short messages sent.

Self-Service Banking

In the first half of 2013, we completed the refinement of the application approval procedures for financial IC cards through self-service terminals. We also further increased self-service banking facilities in villages and towns to facilitate the "Kins Huinongtong" project. As of the end of June 2013, we had 90,155 cash-related self-service banking facilities and the total transaction volume in the first half of 2013 amounted to RMB6.81 trillion. We had 40,467 self-service terminal facilities, with a total transaction volume of RMB3.16 trillion in the first half of 2013. We had 3.32 million Zhifutong machines, with a total transaction volume of RMB4.19 trillion in the first half of 2013.

E-Commerce Banking

In the first half of 2013, we officially launched the "E-commerce Steward" platform to provide customized integrated commercial and financial services covering supply chain management, multi-channel settlement and cloud service to traditional enterprises transforming to e-commerce enterprises. As of the end of June 2013, our merchant's network had a total of 7,470 members with a transaction volume of RMB364,583 million.

Overseas Business and Diversified Operation

Overseas Business

In the first half of 2013, we steadily improved the distribution and promoted development of overseas institutions. The applications for the establishment of our Dubai branch and Tokyo branch were approved by the relevant overseas regulatory authorities and both branches had commenced operation successfully. The application for the establishment of our Hanoi branch was also approved by the CBRC.

Adhering to the prudent operational strategy, our overseas institutions steadily expanded our quality customer base, enhanced the coordination between domestic and overseas businesses and accelerated product and service innovation. As a result, our operation capability and cross-border financial service further improved. ABC International Holdings Limited endeavored to expand its service coverage. It also established a diversified operation platform at home and abroad and its market competitive was enhanced steadily. As of the end of June 2013, total assets of our overseas branches and subsidiaries reached USD46,978 million. Net profit for the first half of the year was USD211 million.

Major Subsidiaries

Please refer to "Discussion and Analysis — Business Review — Human Resources Management and Organization Management" for details.

Information Technology

Secure and Stable Operation of Information Systems

In the first half of 2013, the average transaction volume per working day of our core production system increased by 40.19% compared to the same period of the previous year, and the peak daily transaction volume reached 224 million. With the daily transaction volume of our core business system reaching new heights, the efficiency, quality and stability of our production was continuously improved.

Completion of the Operation of the Second Phase of BoEing

We commenced the operation of the second phase of BoEing and linked BoEing with the Integrated Financial Accounting and Reporting System (IFAR). The operation of the second phase of BoEing further defined the relationship between business process and financial accounting, which strengthened the control of accounting risks.

Strong Support to Product Innovation and Business Management

The Bank constructed various major information systems, including online customer service system, phase II of settlement management system for custody business, phase II of new e-HR system, first phase of centralized operation supervision platform and data management system for risk exposures of customers. The Bank also researched and developed the standard version of Zhifutong for Sannong Business and information management system for "Huinongtong". Furthermore, the Bank completed the upgrade of the electronic cash platform for financial IC cards and the adjustment of the bank card fees.

Continuous Improvement in IT infrastructure

The Bank completed the upgrading of operation platform of the host systems, which enhanced the resources utilization efficiency and coverage of the host systems. The Bank also completed the upgrading of core front-end system for the first batch of branches, so as to standardize and regulate the core front-end system of branches. The Bank also proceeded with renovating the server rooms of Head Office and branches to improve the risk prevention capability and sustainable security of the server room.

Continuous Improvement of IT Governance

The 2013-2015 IT Development Plan was further refined. We prepared and fine-tuned the IT construction plans for specific areas pursuant to our strategic targets. The IT management department and software R&D center of the Head Office proceeded with the projects to obtain ISO27001 certificate.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

The Bank reformed the top-down design in respect of positions, performance, salaries, training and operation, and adopted new policies for the selection and appointment, incentive and management and supervision of management members. Through enhancing the multi-channel development of talents, the career development path of our employees covered all fields and all levels.

Development and Cultivation of Human Resources

The Bank continued to employ personnel based on expertise and organized young talent development program in the County Areas and management trainee program at the Head Office. In addition, the Bank optimized its human resources allocation and strictly controlled the headcount of the management department of all branches. New employees were mainly assigned to frontline positions. We continued to transform our training system and the "Agricultural Banking University" was established and commenced operation as scheduled. The Bank also held extensive professional training programs, and continued to conduct special training programs such as "ABC Lecture".

Information of Employees

We had 457,484 employees (and additional contracted labour of 39,071) as of 30 June 2013, representing a decrease of 3,616 persons over the end of last year. Among our employees, 2,915 persons were at our major domestic subsidiaries and 483 persons were local employees at our overseas institutions.

Management of Branch Outlets

Domestic Branch Outlets

As of 30 June 2013, we had 23,492 domestic branch outlets, including the Head Office, the Business Department of the Head Office, three specialized institutions managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 350 tier-2 branches (including business departments of branches in provinces), 3,486 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), and 19,559 branch outlets and 55 other establishments.

Overseas Branch Outlets

As of 30 June 2013, we had six overseas branches and four overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai and Tokyo branches and the Frankfurt, Sydney, Vancouver and Hanoi representative offices.

Major Subsidiaries

As of 30 June 2013, we had nine major domestic subsidiaries, including ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd. and six rural bank limited liability companies (ABC Hubei Hanchuan rural bank, ABC Hexigten rural bank, ABC Ansai rural bank, ABC Jixi rural bank, ABC Zhejiang Yongkang rural bank and ABC Xiamen Tong'an rural bank), and three major overseas subsidiaries, including Agricultural Bank of China (UK) Limited, ABC International Holdings Limited and China Agricultural Finance Co., Ltd.

County Area Banking Business

We provided customers in the County Areas with a broad range of financial services through all branch outlets in the County Areas in China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business". During the reporting period, we adhered to furthering our reform and the "two engines" of growth, leveraged on the synergistic strengths between the Urban Areas and the County Areas, focused our efforts on innovating our products and services and continued to consolidate our leadership and dominant position in the County Areas.

Mechanism Reform

Product R&D

In the first half of 2013, we improved the admission standard, guarantee requirement and terms of loans of our credit products such as small loans to rural households and retail loans for rural production and operation, according to the change of the market and customers' needs. We introduced agricultural industrial chain loans to rural households and formulated the collateral management measure on forestry ownership, which enriched the types of products and broadened the types of collateral in the County Areas. Our branches boosted innovations of localized special products according to the local conditions, and also introduced and optimized products complimentary to agricultural operation reform and products relevant to the urbanization of local areas and rural financial service channels.

Credit Management

We continued to improve credit management capabilities and credit review efficiency for the County Areas. Review for businesses in key areas or of key customers was prioritized with specific processing time. We strengthened the appraisal of review officers and published appraisal results regularly so as to boost approval efficiency of review officers. The basics of management was strengthened in order to improve credit review and approval system.

Risk Management

We improved functions of risk management departments in tier-1 sub-branches. We also commenced risk assessments of credit products in the County Areas and implemented classified management by risk levels of products, which further improved the risk management and control measures. We refined the risk monitor indicators and improved risk early warning system in respects of products, regions, industries and customers to ensure prompt report of risk incidents and accurate assessment for asset quality. We timely traced and analyzed risks of agriculture-related credit business.

Fund and Capital Management

We improved the value-oriented credit resource allocation mechanism for the County Areas. We separated operating capital for the County Area Banking Division, and carried out separate budget management and performance evaluations of economic capital for it. Moreover, we implemented a program of applying differential deposit reserve ratios in the County Area Banking Division on a pilot basis approved by the PBOC so as to further improve the efficiency of the use of funding in the County Areas. In addition, we adopted differentiated pricing and authorization in the County Areas based on the characteristics of the County Area Banking Business to enhance the efficiency of pricing management.

Performance Management

We formulated grading appraisal plans for the County Area Banking sub-division, major sub-branches in the County Areas and county-level sub-branches for 2013, respectively, to further capitalize on the fundamental guiding effort of performance appraisal. We moderately increased the weights of risk-adjusted return indicators, such as economic value added, and risk compliance indicators, and focused on the appraisal of key and distinctive businesses in the County Areas. The appraisal indicators for the County Area Banking Division were broken down into functional departments and middle and back offices so as to make a concerted effort in the whole Bank to serve the County Areas.

Human Resources Management

We launched a separate recruitment program for the County Areas to expand the talent pool working in ethnic regions, border regions, and poverty-stricken counties defined by the State. "Young talent development program for the County Areas" was launched to expedite the cultivation of a young talent team to serve the County Areas. Retraining program for middle-aged employees was implemented to stimulate their vitality and potential. We held training for the presidents of the County Area sub-branches in rotation to further enhance the capabilities of senior management in enforcing strategies and managing business.

County Area Corporate Banking Business

During the reporting period, focusing on the implementation of "Projects with Thousands or Hundreds of Units" for the rural industrial banking business and the support to rural industrialization, rural urbanization and small- and medium-sized enterprises in the County Areas, we explored the new integrated service model in serving Sannong and capitalized on the advantages of synergistic marketing and combining products to expand the middle-to high-end customer base in the County Areas, as well as to improve risk prevention capability. At 30 June 2013, corporate loans from our County Area Banking Business (excluding discounted bills) amounted to RMB1,478,330 million, representing an increase of RMB78,208 million compared to the end of the previous year. Corporate deposits with our County Area Banking Business amounted to RMB1,435,328 million, representing an increase of RMB29,718 million compared to the end of the previous year.

We strengthened our product and service innovation continuously. During the reporting period, we supported modern scale agricultural development, explored tourism-led service models for Sannong, and further enriched corporate products provided to the County Areas. Furthermore, branches were encouraged to develop innovative regional special products to better suit the need of customers.

We optimized marketing management for core customers. We formed a list of core customers of our Head Office and branches for the rural industries banking business, and service and marketing plans were updated and modified regularly. For top customers in their respective industries, we adopted "head office to head office" marketing, set up specialized marketing team and maintained regular communication between the Bank and the corporations to consolidate the cooperation. We also adopted integrated marketing in order to cater for diversified financial needs of customers.

County Area Retail Banking Business

During the reporting period, we further accelerated the improvement of "Kins Huinongtong" project, refined the functions of Huinong card. We expedited the business transformation of loans to rural households. As a result, market competitiveness of the County Area retail banking business was enhanced.

At 30 June 2013, the retail deposits with our County Area Banking Business amounted to RMB3,253,053 million, representing an increase of RMB218,631 million compared to the end of the previous year. The retail loans provided by our County Area Banking Business amounted to RMB714,102 million, representing an increase of RMB87,525 million compared to the end of the previous year. As of the end of June 2013, the coverage of electronic devices in the administrative villages of China reached 66.2%, representing an increase of 2.3 percentage points compared to the end of the previous year. The business transformation of loan to rural households achieved remarkable results. The proportion of rural household loan customers with the grade "Good" or above increased by 8.2 percentage points as compared with the end of the previous year. Huinong Cards and agriculture-related fund agency business maintained smooth development. As of the end of June 2013, we issued a total of 141 million Huinong Cards. We secured the agency business of 1,129 new rural insurance projects, 792 new rural cooperative medical insurance projects, and 1,086 agriculture-related financial subsidies and public utility projects.

Financial Position

Assets and Liabilities

At the end of June 2013, the total assets of the County Area Banking Business reached RMB5,299,698 million, representing an increase of 6.4% over the end of the previous year. Total loans and advances to customers reached RMB2,229,560 million, representing an increase of 8.8% over the end of the previous year, which was higher than the average growth rate of the Bank by 0.8 percentage point. Deposits from customers increased to 4,843,923 million, representing an increase of 6.3% over the end of the previous year.

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 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	2,229,560	—	2,049,217	—
Allowance for impairment losses on loans	(115,787)	—	(107,372)	—
Loans and advances to customers, net	2,113,773	39.9	1,941,845	39.0
Intra-bank balances[1]	2,767,070	52.2	2,686,346	53.9
Other assets	418,855	7.9	351,153	7.1
Total assets	**5,299,698**	**100.0**	**4,979,344**	**100.0**
Deposits from customers	4,843,923	96.1	4,557,316	96.3
Other liabilities	194,185	3.9	175,489	3.7
Total liabilities	**5,038,108**	**100.0**	**4,732,805**	**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

In the first half of 2013, the profit before tax of our County Area Banking Business increased by 39.5% compared to the same period of the previous year to RMB46,614 million, primarily due to the fact that (1) net interest income and net fee and commission income maintained a rapid growth in line with the steady growth of various aspects of the County Area Banking Business; (2) the operation efficiency of our County Area Banking Business improved as a result of effective cost control while the cost-to-income ratio decreased by 3.09 percentage points as compared to the same period of the previous year; and (3) provisions for impairment losses on assets decreased by RMB2,441 million compared to the same period of the previous year as a result of the improvement of risk management and control capability.

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 2013	Six months ended 30 June 2012	Increase/ (decrease)	Growth Rate (%)
External interest income	69,580	64,037	5,543	8.7
Less: External interest expense	40,253	38,201	2,052	5.4
Interest income from intra-bank balances[1]	47,196	41,426	5,770	13.9
Net interest income	**76,523**	**67,262**	**9,261**	**13.8**
Net fee and commission income	17,145	13,906	3,239	23.3
Other non-interest income	1,217	857	360	42.0
Operating income	**94,885**	**82,025**	**12,860**	**15.7**
Less: Operating expenses	39,064	36,969	2,095	5.7
Provisions for impairment losses	9,207	11,648	(2,441)	-21.0
Profit before tax	**46,614**	**33,408**	**13,206**	**39.5**

Note: 1. Interest income from intra-bank balances represents interest income earned on funds provided by our County Area Banking Business to our other business at internal funds transfer pricing, which is determined based on market interest rate.

Key Financial Indicators

In the first half of 2013, the interest spread between deposits and loans of the County Area Banking Business was 4.76%, which was 50 basis points higher than those of the whole Bank. At 30 June 2013, the non-performing loan ratio of our County Area Banking Business decreased to 1.54%, representing a decrease of 0.12 percentage point over the previous year. Risk resistance was further strengthened, with the allowance to non-performing loans at 336.15% and the allowance to total loans at 5.19%.

The tables below set out 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 2013	Six months ended 30 June 2012
Average yield of loans	6.44*	6.98*
Average cost of deposits	1.68*	1.79*
Net fee and commission income to operating income	18.07	16.95
Cost-to-income ratio[1]	36.72	39.81
Item	**30 June 2013**	**31 December 2012**
Loan-to-deposit ratio	46.03	44.97
Non-performing loan ratio	1.54	1.66
Allowance to non-performing loans	336.15	315.99
Allowance to total loans	5.19	5.24

Note: 1. Calculated by dividing operating and administrative expenses by operating income of the County Area Banking Business under CASs, which is consistent with the figures as stated in the financial report of the Bank prepared in accordance with CASs.

** Indicates annualized data.*

Risk Management

Comprehensive Risk Management System

In the first half of 2013, we implemented a comprehensive, balanced and effective risk management strategy, adhered to a prudent and innovative risk appetite, improved risk management mechanism for the whole business process, implemented advanced capital management methodology and reinforced application of advanced measurement and management technologies in business to enhance the systematicness, coordination and effectiveness of the comprehensive risk management system. During the reporting period, we refined the non-retail customer rating system, strengthened the rating assessment of non-retail customers and improved the prudence and sensitivity of ratings. The verification and optimization of score cards in retail internal rating-based (IRB) approach were promoted and the application of score cards in admission, credit adjustment and collection management of credit card business was improved. We established a comprehensive Internal Models Approach (IMA) system for market risk, developed an integrated market risk data warehouse and market risk management system, and introduced functions such as VaR calculation, stress testing, back-testing and regulatory capital measurement. We improved database for measurement of operational risk and completed the development of Advanced Measurement Approach (AMA) calculation engine for operational risk. The development of Internal Capital Adequacy Assessment Process (ICAAP) proceeded smoothly. We formulated or amended policies and measures for risk assessment and evaluation, stress testing, default recognition and risk evaluation of credit products in the County Areas. The policy of risk management continued to be improved.

We continued to keep track of the changes in the external economic and financial environment as well as the operation and management of the Bank. Based on the comprehensive analysis and evaluation of the risk condition of the Bank, we adjusted risk management policies in a timely manner, improved weaknesses of risk management and enhanced capabilities of risk control, so as to prevent and control internal and external risk effectively.

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 various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In the first half of 2013, we committed to serve the real economy and adhered to a strict approach to risk limitation in response to changes in the macroeconomic and financial environment and in compliance with the state's macroeconomic control policies. We adjusted and refined credit risk management policies in a timely manner, reinforced risk controls for key businesses, launched risk inspection and actively mitigated potential risks. We also refined the industry, regional, customer and product structures.

We refined our credit policies. We formulated a Credit Management Plan for 2013-2015 and Credit Policy Guidelines for 2013 to guide reasonable allocation of credit resources and prevent and control systemic risk. We also formulated credit policies for the retail, urban infrastructure construction and pharmaceutical industries and differentiated regional credit policies to support the leap-forward development of Xinjiang and economic development of Hubei, which allowed us to optimize and adjust the credit structure. We further deepened risk management of the industry-specific exposure limit, set strict entry threshold for loans to industries with limitations and proactively terminated loans to customers with potential risk to effectively control the size and growth of loans to relevant industries. In the first half of the year, the implementation of the industry-specific risk exposure limit proceeded successfully and the growth of loans to relevant industries was under control.

We strengthened risk inspection on key businesses and risk prevention and control of emerging business. Inspections were carried out on major credit risks such as corporate clients with guarantees to third parties, real estate and government financing vehicles and industries with high energy consumption, high pollution or overcapacity. We also proactively phased out loans to customers with potential risks. We enhanced follow-up and monitoring of high risk industries including photovoltaic, vessel manufacturing and steel trading to timely obtain the latest information on customers with potential risks and formulate risk prevention and control plans. Management of emerging businesses such as wealth management and financing and payment by banks was strengthened to improve fund monitoring and early warning for risks.

We improved the construction of information system. We launched an analysis system on the group customers and the related customers, upgraded and refined the credit information management system, as well as developed country-specific risk exposure limit management and corporate fund monitoring systems, to effectively improve capabilities of risk prevention and control. The development of risk management on transaction counterparties in financial market business was completed, which allowed us to accurately measure the credit risk exposure of transaction counterparties and the Credit Valuation Adjustment (CVA) risk-weighted assets.

We improved risk management for retail loan business. We promoted the risk monitoring system for usage of retail loan and the remote collection system of retail loan to enhance automation level of retail loan risk management and capabilities of retail loan risk identification and handling. We strengthened the regular monitoring and analysis on changes of retail loan risk, revealed potential risk of key regions and products and alerted us to the weaknesses of risk management in a timely manner. Suspension and resumption management of retail loan products was strictly implemented to reinforce risk control over retail loan products.

We improved the risk management of credit card business. We formulated the Three-Year Plan of Credit Card Risk Management and Guidance on Credit Card Risk Management for 2013, which clarified the overall structure, objectives and specific requirements of the credit card risk management. Credit card business management policies including authorization, credit granting, card issue and post-disbursement management were refined to fulfill the overall risk control requirements of credit card business. We centralized the credit card review and approval procedures and commenced establishment of intelligent decision-making system to improve rational and professional review procedures. We reinforced loan collection management by launching collection system in the Bank, optimizing centralized collection strategy and outsourcing loan collection.

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

Credit Risk Analysis

Distribution of Loans by Collateral

In millions of RMB, except for percentages

Item	30 June 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	3,270,302	47.1	2,998,659	46.6
Loans secured by pledges	891,928	12.8	750,381	11.7
Guaranteed loans	1,339,888	19.3	1,291,752	20.1
Unsecured loans	1,444,002	20.8	1,392,607	21.6
Total	**6,946,120**	**100.0**	**6,433,399**	**100.0**

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

Item	30 June 2013		31 December 2012	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	31,689	0.5	30,693	0.5
Overdue for 91 to 360 days	23,043	0.4	19,292	0.3
Overdue for 361 days to 3 years	17,041	0.2	13,955	0.2
Overdue for more than 3 years	22,728	0.3	23,965	0.4
Total	**94,501**	**1.4**	**87,905**	**1.4**

Restructured Loans and Advances

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Restructured loans and advances	13,796	0.2	11,592	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	34,291	0.50
Borrower B	Real estate	15,900	0.23
Borrower C	Production and supply of power, heat, gas and water	13,351	0.19
Borrower D	Construction	12,798	0.19
Borrower E	Leasing and commercial services	12,327	0.18
Borrower F	Production and supply of power, heat, gas and water	11,390	0.16
Borrower G	Manufacturing	11,263	0.16
Borrower H	Transportation, logistics and postal services	10,500	0.15
Borrower I	Manufacturing	10,065	0.14
Borrower J	Transportation, logistics and postal services	9,197	0.13
Total		**141,082**	**2.03**

As of 30 June 2013, the total loans granted to the largest single borrower and top ten single borrowers accounted for 3.37% and 13.88% of our regulatory capital, respectively, both of which were in compliance with the regulatory requirements.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

	30 June 2013		31 December 2012	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Normal	6,573,435	94.63	6,052,100	94.08
Special mention	285,988	4.12	295,451	4.59
Non-performing loans	86,697	1.25	85,848	1.33
Substandard	26,425	0.38	29,489	0.46
Doubtful	50,118	0.72	46,996	0.72
Loss	10,154	0.15	9,363	0.15
Total	**6,946,120**	**100.00**	**6,433,399**	**100.00**

As of 30 June 2013, the balance of our non-performing loans was RMB86,697 million, representing an increase of RMB849 million compared to the end of the previous year. Non-performing loan ratio was 1.25%, representing a decrease of 0.08 percentage point compared to the end of the previous year. The balance of special mention loans was RMB285,988 million, representing a decrease of RMB9,463 million compared to the end of the previous year. Special mention loans accounted for 4.12% of total loans, representing a decrease of 0.47 percentage point as compared to the end of the previous year.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

Item	30 June 2013			31 December 2012		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	72,216	83.3	1.57	72,664	84.7	1.64
Short-term corporate loans	46,048	53.1	2.18	40,914	47.7	1.99
Medium- and long-term corporate loans	26,168	30.2	1.05	31,750	37.0	1.34
Discounted bills	1	—	—	12	—	0.01
Retail loans	14,216	16.4	0.74	12,962	15.1	0.76
Residential mortgage loans	3,734	4.3	0.31	3,804	4.5	0.36
Personal consumption loans	1,207	1.4	0.62	1,533	1.8	1.03
Loans to private businesses	2,405	2.8	1.01	1,062	1.2	0.62
Credit card overdraft	2,019	2.3	1.23	2,389	2.8	1.19
Loans to rural households	4,578	5.3	3.15	3,805	4.4	2.83
Others	273	0.3	17.59	369	0.4	19.02
Overseas and others	264	0.3	0.10	210	0.2	0.11
Total	**86,697**	**100.0**	**1.25**	**85,848**	**100.0**	**1.33**

As of 30 June 2013, the balance of corporate non-performing loans was RMB72,216 million, representing a decrease of RMB448 million over the end of the previous year. Non-performing loan ratio of corporate loans was 1.57%, representing a decrease of 0.07 percentage point over the end of the previous year. The balance of retail non-performing loans increased by RMB1,254 million to RMB14,216 million over the end of the previous year. Non-performing loan ratio of retail loans was 0.74%, representing a decrease of 0.02 percentage point over the end of the previous year.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

	30 June 2013			31 December 2012		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**
Head Office	3	—	—	2	—	—
Yangtze River Delta	19,020	21.9	1.10	19,734	23.0	1.19
Pearl River Delta	10,948	12.7	1.11	11,645	13.6	1.28
Bohai Rim	15,068	17.4	1.24	14,397	16.8	1.27
Central China	14,604	16.8	1.72	11,865	13.8	1.51
Northeastern China	5,101	5.9	1.92	4,564	5.3	1.87
Western China	21,689	25.0	1.44	23,431	27.3	1.67
Overseas and others	264	0.3	0.10	210	0.2	0.11
Total	**86,697**	**100.0**	**1.25**	**85,848**	**100.0**	**1.33**

As of 30 June 2013, the balances of non-performing loans in Central China, Bohai Rim and Northeastern China recorded slight increase, while the balances of non-performing loans in Western China, Yangtze River Delta and Pearl River Delta decreased by RMB1,742 million, RMB714 million and RMB697 million, respectively.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

	30 June 2013			31 December 2012		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	36,845	51.1	2.68	32,206	44.3	2.39
Production and supply of power, heat, gas and water	6,410	8.9	1.35	7,904	10.9	1.65
Real estate	3,058	4.2	0.61	4,731	6.5	1.03
Transportation, logistics and postal services	5,296	7.3	0.94	6,182	8.5	1.20
Wholesale and retail	11,616	16.1	2.27	11,698	16.1	2.45
Water, environment and public utilities management	1,148	1.6	0.56	1,514	2.1	0.76
Construction	964	1.3	0.48	740	1.0	0.36
Mining	271	0.4	0.13	345	0.5	0.18
Leasing and commercial services	1,133	1.6	0.36	1,476	2.0	0.51
Information transmission, software and IT services	246	0.3	1.33	247	0.4	1.19
Others	5,229	7.2	2.35	5,621	7.7	2.30
Total	**72,216**	**100.0**	**1.57**	**72,664**	**100.0**	**1.64**

As of 30 June 2013, the balances of non-performing loans decreased significantly in three industries: (1) real estate, (2) production and supply of power, heat, gas and water, and (3) transportation, logistics and postal services, which decreased by RMB1,673 million, RMB1,494 million and RMB886 million, respectively. The balances of non-performing loans increased in the following industries: (1) manufacturing; and (2) construction, which increased by RMB4,639 million and RMB224 million, respectively.

Changes to Allowance for Impairment Losses on Loans

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
At 1 January 2013	52,242	227,746	279,988
Charge/(transfer-out) during the reporting period	1,221	20,990	22,211
— Additions	9,890	32,781	42,671
— Reversals	(8,669)	(11,791)	(20,460)
Write-offs during the reporting period	(2,696)	(647)	(3,343)
Transfer-in/out			
— Recovery of loans and advances to customers written off in previous periods	369	27	396
— Unwinding of discount on allowance	(247)	(111)	(358)
— Exchange difference	(45)	(142)	(187)
At 30 June 2013	**50,844**	**247,863**	**298,707**

At 30 June 2013, the balance of allowance for impairment losses on loans amounted to RMB298,707 million, representing an increase of RMB18,719 million over the end of the previous year. Specifically, the balance of allowance for impairment losses on a collectively assessed basis amounted to RMB247,863 million, increased by RMB20,117 million over the end of the previous year; the balance of allowance for impairment losses on an individually assessed basis was RMB50,844 million, decreased by RMB1,398 million over the end of the previous year. The ratio of allowance to non-performing loans was 344.54%, and the ratio of allowance to total loans was 4.30%, both of which were 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 arising from adverse changes in market prices of interest rate and foreign exchange, as well as commodity and equity prices etc. The Bank is exposed to market risk, mainly including interest rate risk and exchange rate risk.

In the first half of 2013, the Bank formulated policies regarding annual treasury transaction and investment and market risk management, and drafted administrative measures for the calculation of market risk, model verification and contingent management for significant market risk in order to consistently refined the market risk management policy system. The Bank speeded up the establishment of IT system for market risk, and developed functions such as market risk limitation management and market risk management reporting. Therefore, different limitations of market risk were set using various dimensions, such as products, transaction portfolios and types of risk, and the system automatically calculated, monitored and reported the Value at Risk (VaR) limit daily and reported the stress testing, back-testing and changes of profit and loss of market risk regularly.

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 trading book and 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 Value at Risk (VaR), exposure limit management, sensitivity analysis, duration, exposure analysis and stress testing.

In the first half of 2013, we formulated policies for treasury transaction and investment as well as market risk management for 2013 based on the movement in external market and the operational condition of the Bank to specifically formulate basic policies and set the risk control requirements for treasury transaction and investment businesses. We established limit indicator system based on VaR. Meanwhile, we measured and monitored market risk for trading book by applying market risk management system.

VaR Analysis for Trading Book

In millions of RMB

	January – June 2013				January – June 2012			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	43	29	43	17	15	16	20	12
Exchange rate risk	14	59	122	8	19	52	103	17
Commodity risk	3	20	54	2	54	34	70	11
Overall VaR	55	81	151	36	41	55	116	27

Notes: 1. *The Bank has calculated the overall VaR for trading book (excluding trading position for foreign exchange settlement business) since 2012.*
2. *VaR related to precious metal was recognized in the exchange rate risk.*

During the reporting period, the position of bonds portfolio doubled compared to the same period of the previous year, resulting in a notable increase in VaR of interest rate. The positions of foreign exchange and gold remained stable and the VaR of foreign exchange rate recorded a moderate year-on-year change. The risk exposure of our silver trading portfolio and the VaR of commodity risk also decreased significantly as compared to the same period of last year.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

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, as well as inconsistencies in the change of the benchmark interest rates on which most domestic interest rate-sensitive financial assets and financial liabilities are based.

In the first half of 2013, the Bank paid close attention to the macro-economic situation and the monetary policies of the PBOC and adjusted our pricing strategy regarding all businesses flexibly in a timely manner. The Bank establishes comprehensive interest rate risk management policies and tools, which improved the consistency of measurement, monitoring, analysis and management of interest rate risk across the Group.

The Bank regularly measured and analysed 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 risk due to mismatches in the currency denominated assets and liabilities. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by structural assets and liabilities (the "structural exchange rate risk"), which are difficult to be mitigated in operations.

In the first half of 2013, the Bank carried out monitoring and sensitivity analysis of exchange rate risk exposure regularly. We also kept our exposure of the exchange rate risk within a reasonable range through coordination of foreign exchange asset and liability business, and timely settlement of foreign exchange for profit and other measures.

Market Risk Exposure Limit Management

Our market risk exposure limit is classified into directive limit and indicative limit based on its effects, and includes position limit, stop-loss limit, VaR limit and stress testing limit.

In the first half of 2013, the Bank further enhanced market risk exposure limit management. We set exposure limit according to our risk appetite and tolerance. We also refined the categorization of market risk exposure limit and continued to monitor and report the implementation of risk exposure limit. During the reporting period, the risk exposure limit was well implemented.

Interest Rate Risk Analysis

As of 30 June 2013, the accumulative negative gap sensitive to interest rate due within one year amounted to RMB329,969 million, representing an increase of RMB212,372 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 2013	(2,267,274)	974,707	962,598	(329,969)	(219,516)	1,242,175	(54,010)
31 December 2012	(2,205,360)	642,233	1,445,530	(117,597)	(204,422)	993,987	(69,049)

Note: Please refer to "Note 49.3 to the Condensed Consolidated Interim Financial Statements, Market Risk" for details.

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2013		31 December 2012	
	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	(9,996)	(19,453)	(10,362)	(13,305)
Decreased by 100 basis points	9,996	19,453	10,362	13,966

The above interest rate sensitivity analysis indicates the movements in net interest income and other comprehensive income 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 2013, net interest income would decrease (or increase) by RMB9,996 million if interest rates instantaneously increase (or decrease) by 100 basis points. Other comprehensive income would decrease (or increase) by RMB19,453 million if interest rates instantaneously increase (or decrease) 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 2013, the middle-point rate of RMB appreciated against USD by 1,068 basis points accumulatively. As of 30 June 2013, our net foreign exchange exposure of financial assets/liabilities amounted to USD5,715 million, representing an increase of USD3,661 million compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2013		31 December 2012	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	23,278	3,767	6,986	1,111
Net foreign exchange exposure of overseas financial assets/liabilities	12,033	1,948	5,925	943
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	35,311	5,715	12,911	2,054

Note: Please refer to "Note 49.3 to the Condensed Consolidated Interim Financial Statements, 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 2013	Impact on profit before tax 31 December 2012
USD	+1%	342	(247)
	-1%	(342)	247
HKD	+1%	(116)	281
	-1%	116	(281)

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 asset or to fulfill payment obligations despite the Bank having the ability to repay. 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 2013, the PBOC continued its prudent monetary policies and exerted its effort in fine-tuning the policies in advance. The PBOC regulated the total market liquidity through various methods, such as open market operations, issuance of notes, short-term liquidity adjustment and rediscount. The Bank closely monitored the changes of monetary policies and market and strengthened the analysis of the macro-economic and financial situations and the factors that could impact on liquidity to effectively manage the liquidity risk. The Bank put efforts to take in deposits, and ensured a smooth channel for market financing and maintained a proper proportion of high liquidity reserve assets to fulfill the payment demand of customers. The Bank had developed an operation management system for financing business with other financial institutions to have better arrangement in advance for its cash flow at maturity. The Bank strengthened the timely monitoring of treasury position and flexibly adjusted the daily financing limit so as to ensure the sufficiency of reserves and enhance the operation efficiency of assets. The Bank ensured the efficiency of liquidity risk management under adverse circumstances through contingent test and stress testing. The Bank also carried out financing business with overseas subsidiaries and branches to enhance their liquidity management.

Liquidity Risk Analysis

In the first half of 2013, as the macro-economic environment was complicated, the liquidity of inter-bank market was fluctuated. The Bank persisted in its prudent strategies for the management of liquidity, accurately estimated fund supply and demand. Meanwhile, the Bank adjusted the utilization of funds dynamically, established liquidity reserves with multi-levels and arranged cash flow at maturity in advance to fulfill the funding requirements at critical times. During the reporting period, the overall liquidity position of the Bank was stable and under control.

Liquidity Gap Analysis

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

In millions of RMB

	Past due/ undated	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
30 June 2013	2,390,962	(6,755,289)	216,891	176,479	292,229	1,216,582	3,100,826	638,680
31 December 2012	2,241,772	(6,597,099)	419,200	(47,620)	713,144	1,053,047	2,820,475	602,919

Note: Please refer to "Note 49.2 to the Condensed Consolidated Interim Financial Statements, Liquidity Risk" for details.

We assessed liquidity risk through liquidity gap analysis. As of 30 June 2013, the negative gap of liquidity repayable on demand continued to increase primarily due to a rapid growth of demand liabilities. To maintain sufficient short-term liquidity, we properly increased the deposits placed with other banks and financial institutions, short-term investments and other assets. The negative gap within 1 to 3 months recorded a turnaround and the positive gap within 1 month decreased by RMB202,309 million compared to the end of the previous year.

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

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

In the first half of 2013, the Bank continued to implement the AMA for operational risk. We carried out risk evaluation which covered all major business lines, refined the system of key risk indicators and strengthened operational risk assessment. As such, the operational risk management level of the Bank improved steadily. We continued to improve the database of measuring the operational risk by cleansing the internal loss data, as well as purchasing and cleansing the external loss data. The AMA calculation engine was completed and various tests were conducted. We optimized information system of operational risk management, improved score cards for operational risk management and strengthened the application of quantitative indicators so that the measurement of standardized approach for operational risk was strengthened. We formulated operational risk self-evaluation plan, added the quality of evaluation into the assessment system and enhanced quality and effects of self-evaluation. We unified the classification criteria and reporting procedures of IT risk events and further strengthened IT risk monitoring. We completed the promotion and application of centralized authorization, centralized operation and centralized monitoring of back offices. "3 Targets and 3 Strict Rules" were implemented in counter business. Systems of electronic reconciliation, cash replenishment and allocation management of self-service equipment, and electronic payment password were extensively promoted. We reinforced staff conduct management through formulation of staff conduct management guidelines for 2013 and issue of staff conduct management assessment and evaluation plan.

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 and failure to duly formulate terms of contracts and 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 2013, the Bank raised legal awareness in its employees through seminars and training activities, which improved the legal risk control consciousness of all staff. We enhanced the digitalization level of legal risk management by accelerating the establishment of information management system for legal affairs. Litigation and dispute management was strengthened to properly address major litigations and right protection. We expedited the end to end contract management to refine the contract and document system and facilitate the healthy development of our businesses. Legal risk management covered our businesses and products with the inclusion of legal review in the business procedures and the enhancement of legal support to major projects and customers. In addition, the number of our intellectual property rights increased, which effectively prevented and solved infringement risk, and the awareness of intellectual rights protection among staff was raised significantly.

Anti-Money Laundering

In the first half of 2013, we explored to establish a centralized processing mode for Anti-Money Laundering ("AML") in order to enhance efficiency and capability of AML. We strengthened AML compliance management of domestic and overseas institutions and improved the level of AML compliance management. We strengthened the technical support and expanded the scope of AML monitoring to enhance AML risk monitoring capability effectively. We also assisted the competent authorities in AML investigations and fulfilled the responsibilities of anti-terrorist financing to provide support to the government in combating money laundering and terrorist financing.

Consolidated Management

In the first half of 2013, we continued to strengthen the consolidated management by optimizing the risk control working mechanism and procedure for consolidated management. We conducted studies for the formulation of management measures on our subsidiaries, which further defined the management mode, management mechanism, scope of management and allocation of duties for subsidiaries at the group's level. On-site inspections were carried out in certain our subsidiaries to facilitate their research and development of risk management tools. We regularly collected information of subsidiaries so as to strengthen risk monitoring and reporting. The establishment of the information system for consolidated management was expedited. We also studied on data handling and transmission plan to enhance our monitoring capacity on the data of the subsidiaries.

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.

In the first half of 2013, we conducted regular examinations for reputation risk management. Measures addressing potential material reputation risk were established and the allocation of duties was clarified to strengthen controlling reputation risk. We strengthened the daily management of reputation risk events by setting up a mechanism under which the reputation risk management department can interactively cooperate with relevant departments. We optimized the supervision and reporting system for reputation risk management, increased the frequency of monitoring and reporting of reputation events, and improved the analysis on the incline of public option. We summarized the experience from the previous classic cases of reputation risk, which provided directions to address reputation risk events and enhanced the reputation risk management of the Bank. We devoted more in reputation risk management trainings and cultivated the culture of reputation risk management to raise the awareness of preventing reputation risk among the staff of the Bank.

Capital Adequacy Ratio Information

Capital management

During the reporting period, we strictly complied with the capital plan for 2013-2015 and the capital adequacy ratio plan for 2013–2018, adhered to our general principle of capital management and the target of capital adequacy ratio, and enhanced the capital control and management returns. The Bank also established a comprehensive and effective capital management mechanism, to ensure the capital adequacy ratio can cover risks, create value and comply with regulatory requirements.

During the reporting period, the Bank further improved the policy and mechanism for allocation of economic capital, strengthened the capital constraint, reduced the inefficient allocation of capital and improved the scale and structure of risk-weighted assets. The Bank continued the establishment of ICAAP to ensure that the capital is sufficient to cover the major risks of the Bank. The Bank fully assessed the effect brought by the implementation of the *Capital Rules for Commercial Banks (Provisional)*, actively promoted the implementation work and took this opportunity to transform the business development model to capital-saving model.

Capital Adequacy Ratio

We disclosed the following information regarding capital adequacy ratios in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*, issued by the CBRC.

Regulatory requirements of capital adequacy ratio

Pursuant to the *Capital Rules for Commercial Banks (Provisional)*, effective from 1 January 2013, commercial banks should comply with the regulatory requirements of capital adequacy ratios stipulated under the rules by the end of 2018. The regulatory requirements of capital adequacy ratios include the minimum regulatory capital requirements, capital conservation buffer requirements, as well as countercyclical capital requirements, additional capital surcharge on Systemically Important Banks (SIBs) and the capital requirements under Pillar II.

	Item	Regulatory requirement
Minimum capital requirements	Common Equity Tier 1 (CET1) capital adequacy ratio	5%
	Tier 1 capital adequacy ratio	6%
	Capital adequacy ratio	8%
Capital conservation buffer requirement		Capital conservation buffer requirement will phase in during the transitional periods, i.e. 0.5% by the end of 2013, 0.9% by the end of 2014, 1.3% by the end of 2015, 1.7% by the end of 2016, 2.1% by the end of 2017, 2.5% by the end of 2018. Banks must meet the requirement with CET1 capital.
Countercyclical capital requirement		0–2.5% of the risk-weighted assets. Banks must meet the requirement with CET1 capital.
Additional capital surcharge on SIBs		Domestic SIBs: 1% of the risk-weighted assets. Banks must meet the requirement with CET1 capital. Global SIBs: Prescribed by the Basel Committee.
Capital requirements under Pillar II		Prescribed by the CBRC under the regulatory framework of Pillar II.

Scope of the calculation of consolidated capital adequacy ratios

The calculation of consolidated capital adequacy ratios incorporates the Bank and its directly or indirectly invested financial institutions as prescribed by the *Capital Rules for Commercial Banks (Provisional)*. The calculation of unconsolidated capital adequacy ratios incorporates all of our domestic and overseas branches. The major differences between the scope of consolidated capital adequacy ratio and consolidated financial statements are set out in the table below.

No.	Name of company	Business nature and scope	Place of incorporation	Included in the scope of consolidated capital adequacy ratio	Included in the scope of consolidated financial statements
1	ABC-CA Fund Management Co., Ltd.	Fund management	Shanghai, PRC	Yes	Yes
2	ABC International Holdings Limited	Investment	Hong Kong, PRC	Yes	Yes
3	ABC Financial Leasing Co., Ltd.	Financial leasing	Shanghai, PRC	Yes	Yes
4	Agricultural Bank of China (UK) Limited	Banking	London, United Kingdom	Yes	Yes
5	China Agricultural Finance Co., Ltd.	Investment	Hong Kong, PRC	Yes	Yes
6	ABC Hubei Hanchuan Rural Bank Limited Liability Company	Banking	Hubei, PRC	Yes	Yes
7	ABC Hexigten Rural Bank Limited Liability Company	Banking	Inner Mongolia, PRC	Yes	Yes
8	ABC Ansai Rural Bank Limited Liability Company	Banking	Shaanxi, PRC	Yes	Yes
9	ABC Jixi Rural Bank Limited Liability Company	Banking	Anhui, PRC	Yes	Yes
10	ABC Zhejiang Yongkang Rural Bank Limited Liability Company	Banking	Zhejiang, PRC	Yes	Yes
11	ABC Xiamen Tong'an Rural Bank Limited Liability Company	Banking	Fujian, PRC	Yes	Yes
12	ABC Life Insurance Co., Ltd.	Insurance	Beijing, PRC	No	Yes

Net capital and capital adequacy ratios

We calculated the credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets by weighted approach, standard approach and basic indicator approach, respectively. The table below sets out the measurement of net capital, risk-weighted assets and capital adequacy ratios pursuant to the *Capital Rules for Commercial Banks (Provisional)*.

In millions of RMB, except for percentages

Item	Consolidated	Unconsolidated
CET1 capital	784,800	778,376
Tier 1 capital	784,801	778,376
Total capital	1,016,794	1,009,751
Risk-weighted assets	8,612,951	8,559,617
Credit risk-weighted assets	7,855,913	7,806,399
Market risk-weighted assets	75,772	74,877
Operational risk-weighted assets	681,266	678,341
CET1 capital adequacy ratio	9.11%	9.09%
Tier 1 capital adequacy ratio	9.11%	9.09%
Capital adequacy ratio	11.81%	11.80%

During the transitional period, the consolidated and unconsolidated capital adequacy ratios calculated in accordance with the *Rules for the Management of Capital Adequacy Ratio of Commercial Banks* are shown below.

Item	Consolidated	Unconsolidated
Core capital adequacy ratio	9.81%	9.83%
Capital adequacy ratio	12.62%	12.62%

Information of risk exposures

Credit risk

As of 30 June 2013, the Bank's credit exposures, which include on- and off-balance sheet credit exposures, and counterparty credit risk exposures, amounted to RMB14,928,428 million and RMB14,207,160 million, before mitigation and after risk mitigation, respectively. Our asset securitization risk exposures aggregated to RMB1,502 million.

Please see the section headed "Discussion and analysis – Risk Management" for details of overdue loans, non-performing loans and allowance for impairment losses on loans.

In millions of RMB

Item	Credit exposures before risk mitigation	Credit exposures after risk mitigation
On-balance sheet credit risk	14,039,719	13,530,072
Cash and cash equivalents	2,419,507	2,419,507
Notes issued by central governments and central banks	1,172,832	1,172,832
Loans to public sector entities	184,186	184,186
Loans to domestic financial institutions	3,066,544	2,767,327
Loans to foreign financial institutions	60,934	60,801
Loans to corporations	4,980,768	4,783,899
Loans to MSE	47,710	42,726
Loans to individuals	1,866,330	1,857,939
Residual value of leasing assets	—	—
Equity investments	1,494	1,494
Others	237,912	237,859
Risk exposures from the settlement of security, commodity and foreign currency transactions	—	—
Asset securitization items on balance sheet	1,502	1,502
Off-balance sheet credit risk	873,613	661,992
Counterparty credit risk	15,096	15,096
Total	**14,928,428**	**14,207,160**

Market Risk

The regulatory capital of market risk of the Bank measured by standard approach is shown below.

In millions of RMB

Item	Regulatory capital
Interest rate risk	909.94
Equity risk	—
Foreign exchange risk	5,123.87
Commodity risk	17.13
Option risk	10.84
Total	**6,061.78**

The risk exposures of equities in the banking book of the Bank are shown below.

In millions of RMB

	Risk exposures of listed equities	Risk exposures of unlisted equities	Unrealized gains (loss)
Financial institutions	163.47	319.00	139.24
Corporations	—	1,011.47	14.92
Total	**163.47**	**1,330.47**	**154.16**

Please see "Discussion and Analysis — Risk Management" for details of market risk management of the Bank.

Operational Risk

The operational risk capital requirement of the Bank is RMB54,501 million. Please see "Discussion and Analysis — Risk Management" for details of operational risk management.

Changes in Share Capital

Details of changes in share capital

Unit: Share

	31 December 2012		Increase/decrease during the reporting period (+, -)			30 June 2013	
	Number of shares	Percentage[3] (%)	New shares issued	Others	Subtotal	Number of shares	Percentage[3] (%)
1) Shares subject to restrictions on sales[1]	**268,484,705,904**	**82.7**	**—**	**—**	**—**	**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]	—	—	—	—	—	—	—
3. Shares held by foreign investors[2]	—	—	—	—	—	—	—
2) Shares not subject to restrictions on sales	**56,309,411,096**	**17.3**	**—**	**—**	**—**	**56,309,411,096**	**17.3**
1. RMB-denominated ordinary shares	25,570,588,000	7.9	—	—	—	25,570,588,000	7.9
2. Foreign-invested shares listed overseas[2]	30,738,823,096	9.4	—	—	—	30,738,823,096	9.4
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. According to the Notice on the Listing and Circulation of Restricted Shares upon the Initial Public Offering of Agricultural Bank of China Limited dated 11 July 2013, a total of 258,592,941,197 restricted shares upon the initial public offering and held by the MOF, Huijin, and the SSF were released from restrictions and available for listing and circulation on 16 July 2013.*
2. *In this table, "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. *Figures in the "Percentage" column of the table above are rounded to the nearest decimal number.*

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/ decreased 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 as 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
Total	**268,484,705,904**	**—**	**—**	**268,484,705,904**	**—**	**—**

Note: 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.

Particulars of Shareholders

Number of shareholders and particulars of shareholding

As of 30 June 2013, the Bank had a total of 307,939 shareholders, including 29,074 H share shareholders and 278,865 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

Total number of shareholders			**307,939** (as set out in the registers of shareholders of A shares and H shares as of 30 June 2013)				
Particulars of shareholding of the top 10 shareholders (the data below are based on the registers of shareholders as of 30 June 2013)							
Name of shareholders	**Nature of shareholders**	**Type of shares**	**Increase/ (decrease) during the reporting period (+, -)**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares subject to restrictions on sales**	**Number of pledged or locked-up shares**
Huijin	State-owned	A shares	187,532,998	40.27	130,799,697,962	130,000,000,000	None
MOF	State-owned	A shares	—	39.21	127,361,764,737	127,361,764,737	None
HKSCC Nominees Limited	Overseas legal entity	H shares	162,872,750	9.04	29,353,289,180	—	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	33,999,980	1.39	4,523,829,300	—	None
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	103,649,329	0.45	1,465,843,287	—	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 Shuangwei Investment Corporation	Other	A shares	—	0.23	746,268,000	—	None
State Grid Yingda International Holdings Group Limited	Other	A shares	—	0.23	746,268,000	—	None

Note: All the shares held by the HKSCC 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 2013.

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 2013)

Name of shareholders	Number of shares not subject to restrictions on sales	Type of shares
HKSCC Nominees Limited	29,353,289,180	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	4,523,829,300	A shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,465,843,287	A shares
Standard Chartered Bank	1,217,281,000	H shares
Huijin	799,697,962	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
Anshan Iron and Steel Group Corporation	604,579,000	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 controlling shareholders remained unchanged. The Bank had no de facto controller.

MOF

The MOF, established in October 1949, is a ministry under the State Council, and is a regulatory authority responsible for matters in respect of state finance and taxation policies.

As of 30 June 2013, 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 PRC on 16 December 2003 as a wholly state-owned company with a registered capital of RMB828,209 million. The organizational code of Huijin is 71093296-1 and its legal representative is Mr. LOU Jiwei. 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 increased its shareholding of the Bank's A shares through acquiring shares via the trading system of the Shanghai Stock Exchange from 10 October 2012. From 10 October 2012 to 9 April 2013, Huijin had cumulatively increased its shareholding of the Bank's A shares by 231,439,773 shares, accounting for approximately 0.071% of the total share capital of the Bank. Immediately following the share acquisition, Huijin held a total of 130,652,527,175 shares of the Bank, accounting for 40.23% of the total share capital of the Bank. From 13 June 2013, Huijing further increased its shareholding of the Bank's A shares through acquiring shares via the trading system of the Shanghai Stock Exchange. From 13 June 2013 to the end of the reporting period, Huijin had cumulatively increased its shareholding of the Bank's A shares by 147,170,787 shares, accounting for approximately 0.045% of the total share capital of the Bank. As of the end of the reporting period, Huijin held 130,799,697,962 shares of the Bank, accounting for 40.27% of the total share capital of the Bank.

As of 30 June 2013, 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 2013, 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 corporation[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	3,701,373,000 (H shares)	Long position	12.04	1.14
The Capital Group Companies, Inc.	Interest controlled corporation	3,353,871,000 (H shares)	Long position	10.91	1.03
Citigroup Inc.	Interest of controlled corporation; custodian corporation/ approved lending agent; security interest	2,158,140,072 (H shares)	Long position	7.02	0.66
	Interest of controlled corporation	221,422,213 (H shares)	Short position	0.72	0.07
	Custodian corporation/ approved lending agent	1,940,929,472 (H shares)	Lending pool	6.31	0.60
Blackrock, Inc.	Interest of controlled corporation	1,777,865,940 (H shares)	Long position	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 2013, 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 2013, Huijin held 130,799,697,962 A shares of the Bank, accounting for 44.48% of the issued A shares and 40.27% 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 of the Bank

The compositions of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank were as follows:

The Board of Directors of the Bank consisted of 15 members, including four Executive Directors, namely Mr. JIANG Chaoliang, Mr. ZHANG Yun, Mr. GUO Haoda and Mr. LOU Wenlong; 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 five Independent Non-executive Directors, namely Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick MA Si-hang, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan.

The Board of Supervisors of the Bank consisted of seven members, including two Supervisors representing shareholders, namely Mr. CHE Yingxin and Mr. LIU Hong; four Supervisors representing employees, namely Mr. JIA Xiangsen, Mr. ZHENG Xin, Mr. ZHANG Jianzhong and Mr. XIA Zongyu; and one External Supervisor, namely Mr. DAI Genyou.

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

As of 30 June 2013, except for Mr. ZHENG Xin, our Supervisor, who held 500,000 A shares of the Bank, none of the incumbent and former Directors, Supervisors and Senior Management held shares of the Bank. During the reporting period, none of the incumbent or former Directors, Supervisors and Senior Management held share options or were granted restricted shares of the Bank.

Changes in Directors, Supervisors and Senior Management

On 29 October 2012, Mr. Francis YUEN Tin-fan was elected as Independent Non-executive Director of the Bank at the 2012 Second Extraordinary General Meeting of the Bank. The qualification of Mr. Francis YUEN Tin-fan was approved by the CBRC on 8 March 2013.

On 7 May 2013, Mr. JIA Xiangsen, Mr. ZHANG Jianzhong and Mr. XIA Zongyu were elected as Supervisors representing employees of the Bank at the Employee Representatives Meeting. Mr. WANG Yurui and Mr. YAN Chongwen ceased to act as Supervisors representing employees of the Bank due to expiry of term and retirement, respectively.

Corporate Governance

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

During the reporting period, we elected an additional employee representative Supervisor and restructured the special committees under the Board of Supervisors in accordance with regulatory requirements. In addition, due to the implementation of the *Capital Management of Commercial Banks (Provisional)*, we have adjusted the *Issue Mandate to the Board of Directors by Shareholders' General Meeting of Agricultural Bank of China* and the *Issue Mandate to the President by the Board of Directors of Agricultural Bank of China* pursuant to the need of our business development.

Corporate Governance Code

During the reporting period, we complied with all the principles and code provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, with the exception addressed below.

The Bank did not have Independent Non-executive Directors representing one-third of the Board of Directors as required under Rule 3.10A of the Hong Kong Listing Rules. The Bank has complied with the aforesaid requirement at the time when the qualification of Mr. Francis YUEN Tin-fan was approved by the CBRC on 8 March 2013.

Due to the other work arrangement, the Chairman of the Board of the Directors, Mr. JIANG Chaoliang, was not able to attend the 2012 annual general meeting on 18 June 2013, and therefore the Bank did not comply with the requirement under Rule E.1.2 of the Corporate Governance Code.

Internal Control and Internal Audit

Internal Control

During the first half of 2013, the Bank has strictly implemented the *Basic Rules on Enterprise Internal Control* and its implementation measures as well as various regulatory requirements. We further strengthened the basics of management and continued to improve internal control and compliance system by the orientation of compliance culture and the support of information technology.

The Bank continued to promote compliance culture and to instill an awareness of compliance obligations in all staff. Based on our successful experience in the promotion of compliance culture in the last three years, we issued a guideline for compliance practice and established a long-term and effective compliance system.

The Bank strengthened the basics of management to ensure the compliance of its operation. The Bank has established the compliance standards of operation management, credit management, IT management and security as well as a comprehensive compliance evaluation system in respect of basics of management covering all business segments. We further streamlined our management system, so as to enhance the implementation efficiency of our operation systems throughout the Bank.

We expanded the application of internal control compliance management system and accelerate the construction of information communication platform. We strengthened the monitoring of compliance risk to facilitate internal control management and information exchange. We reinforced the monitoring of compliance risk and improved the monitoring and analysis on the compliance risk of loan business and performance of due diligence so as to promote the compliance of our operation and management.

Internal Audit

During the reporting period, the Bank continued to concentrate on risk audit and had completed the audit on three major aspects of certain branches, namely credit management, financial management and personnel management. The Bank had also conducted audits on the accountability of senior management, the establishment of infrastructure and the performance of certain overseas institutions. We are in the process to implement remote real-time audit. The implementation of the strategic decisions of the Board of Directors, the enhancement of the basics of management and the steady development of all businesses segments have been improved.

Profits and Dividends Distribution

As approved by the 2012 Annual General Meeting, the cash dividend for 2012 of the Bank was paid to A share shareholders and H share shareholders whose names appeared on the Bank's register of shareholders at the close of business on 27 June 2013. The cash dividend was RMB1.565 per ten shares (including tax), aggregating RMB50,830 million (including tax). The Bank does not propose to pay any interim dividend for 2013 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 cash dividend decision making procedure and system are complete, and the basis and proportion for dividend distribution are clearly defined. Our Independent Non-executive Directors have diligently performed their duties, independently issued their opinions and duly played their roles. Our minority shareholders have opportunities to fully express their opinions and requests while their legitimate interests have been fully protected. During the reporting period, the Bank's cash dividend policy remained unchanged.

Material Legal Proceedings and Arbitration and Matters of Public Concern

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

As of 30 June 2013, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB2,554 million. The management of the Bank believes that we have made full 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 Acquisition, Disposal and Merger

During the reporting period, the Bank did not have any major acquisition, disposal and merger.

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.

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

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
MOF	Lock-up of shares	No transfer of or entrusting others to manage the shares, directly or indirectly held by it, issued before the date of the initial public offering of the Bank's A shares, and no repurchase of such shares by the Bank shall be conducted within 36 months from the date of listing of the Bank's A shares. However, upon the conversion of such A shares held by it into H shares after being approved by the CSRC or the authorized securities approval authority of the State Council, such converted H shares will not be subject to the above 36-month lock-up period.	15 July 2010	15 July 2013	Fulfilled
Huijin	Lock-up of shares	No transfer of or entrusting others to manage the shares, directly or indirectly held by it, issued before the date of the initial public offering of the Bank's A shares, and no repurchase of such shares by the Bank shall be conducted within 36 months from the date of listing of the Bank's A shares. However, upon the conversion of such A shares held by it into H shares after being approved by the CSRC or the authorized securities approval authority of the State Council, such converted H shares will not be subject to the above 36-month lock-up period. Huijin undertook to comply with the lock-up period applicable to the shares it held as the promoter of the Bank according to the applicable domestic and overseas laws and regulatory requirements.	15 July 2010	15 July 2013	Fulfilled
Huijin	Non-competition commitment	(1) so long as Huijin continues to hold any of our shares and is deemed to be a controlling shareholder or a related person of a controlling shareholder or the de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, Huijin will immediately cease to participate in, manage or engage in such competing commercial banking activities;	15 July 2010	Valid for long-term	Continuous commitment and performed regularly

Subject of commitment	Commitment	Details of commitment		Date of commitment	Due date of commitment	Performance up to date
		(2)	if Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities;			
		(3)	notwithstanding the above provisions (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, may through its investments in other companies (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies) operate or participate in any competing commercial banking activities in China or abroad;			
		(4)	Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/ banking industry, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks, and will avoid such circumstances arising. It will exercise its shareholder's rights in our best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment as our shareholder to maximize our best interests, such judgment will not be affected by its investments in other commercial banks.			

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
SSF	Lock-up of shares	The purchased shares held by the SSF are subject to a lock-up period of five years commencing on the transaction completion date or three years commencing on the pricing date of our initial public offering, whichever is longer. Prior to the first anniversary following the expiration of the lock-up period, the SSF is allowed to transfer no more than 30% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto) and prior to the second anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 60% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto), provided that our initial public offering is completed within five years following the transaction completion date.	21 April 2010	21 April 2017	Not due and performed regularly

Penalties Imposed on the Bank and Directors, Supervisors, Senior Management and Shareholders Holding 5% Shares or Above of the Bank

During the reporting period, neither we nor any of our directors, supervisors, senior management and shareholders holding 5% of shares or above was subject to any investigation by competent authorities, compulsory enforcement of juridical or disciplinary departments, transfer to juridical departments or prosecution for criminal offenses, or investigation, administrative penalty or ban of entry into securities markets by the CSRC, identification as inappropriate candidate, punishment by other administrative authorities or public reprimand by any stock exchange.

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 2013, 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 2013, Mr. ZHENG Xin, Supervisor of the Bank, held 500,000 A Shares of the Bank. Save for the above, 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 "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Interim Review

The 2013 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs were reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers 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.

Change of External Auditors

For details regarding our change of external auditors, please refer to "Basic Corporate Information Change of Auditors".

Interim Financial Report

pwc

羅兵咸永道

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 95 to 189, which comprises the condensed consolidated interim statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2013

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2013
(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Notes	2013 (Unaudited)	2012 (Unaudited)
Interest income	6	296,463	278,832
Interest expense	6	(116,461)	(110,994)
Net interest income	6	180,002	167,838
Fee and commission income	7	49,721	40,146
Fee and commission expense	7	(2,124)	(1,217)
Net fee and commission income	7	47,597	38,929
Net trading gain	8	2,073	1,681
Net gain/(loss) on financial instruments designated at fair value through profit or loss	9	90	(125)
Net gain on investment securities		334	39
Other operating income	10	5,948	2,550
Operating income		236,044	210,912
Operating expenses	11	(94,071)	(84,138)
Impairment losses on assets	12	(22,471)	(22,772)
Profit before tax		119,502	104,002
Income tax expense	13	(27,118)	(23,480)
Profit for the period		92,384	80,522
Attributable to:			
Equity holders of the Bank		92,352	80,499
Non-controlling interests		32	23
		92,384	80,522
Earnings per share attributable to the equity holders of the Bank (Expressed in RMB per share)			
— Basic and diluted	15	0.28	0.25

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2013 (Unaudited)	**2012 (Unaudited)**
Profit for the period	92,384	80,522
Other comprehensive (expenses)/income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	(1,815)	5,312
Income tax impact for fair value changes on available-for-sale financial assets	419	(1,317)
Foreign currency translation differences	(281)	79
Other comprehensive (expenses)/income, net of tax	(1,677)	4,074
Total comprehensive income for the period	90,707	84,596
Total comprehensive income attributable to:		
Equity holders of the Bank	90,683	84,573
Non-controlling interests	24	23
	90,707	**84,596**

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

Condensed Consolidated Interim Statement of Financial Position

At 30 June 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Assets			
Cash and balances with central banks	16	2,551,905	2,613,111
Deposits with banks and other financial institutions	17	502,704	262,233
Placements with banks and other financial institutions	18	250,597	223,380
Financial assets held for trading	19	34,533	23,189
Financial assets designated at fair value through profit or loss	20	213,920	155,366
Derivative financial assets	21	7,851	4,825
Financial assets held under resale agreements	22	785,652	814,620
Loans and advances to customers	23	6,647,413	6,153,411
Available-for-sale financial assets	24	854,460	755,503
Held-to-maturity investments	25	1,381,121	1,308,796
Debt instruments classified as receivables	26	613,508	608,594
Investments in associates and joint ventures		1	108
Property and equipment	27	138,582	141,490
Goodwill	28	1,381	1,381
Deferred tax assets	29	62,082	56,949
Other assets	30	176,891	121,386
Total assets		14,222,601	13,244,342
Liabilities			
Borrowings from central bank		90	66
Deposits from banks and other financial institutions	31	780,404	784,352
Placements from banks and other financial institutions	32	229,129	149,721
Financial liabilities held for trading	33	14,523	3,674
Financial liabilities designated at fair value through profit or loss	34	284,965	155,071
Derivative financial liabilities	21	5,957	5,514
Financial assets sold under repurchase agreements	35	14,223	7,631
Due to customers	36	11,487,183	10,862,935
Debt securities issued	37	221,840	192,639
Deferred tax liabilities	29	8	15
Dividends payable	14	50,830	—
Other liabilities	38	342,218	331,370
Total liabilities		13,431,370	12,492,988

Condensed Consolidated Interim Statement of Financial Position

At 30 June 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Equity			
Share capital	39	324,794	324,794
Capital reserve	40	98,773	98,773
Investment revaluation reserve	41	(2,289)	(901)
Surplus reserve	42	44,033	43,996
General reserve	43	139,178	75,349
Retained earnings		186,144	208,488
Foreign currency translation reserve		(965)	(684)
Equity attributable to equity holders of the Bank		789,668	749,815
Non-controlling interests		1,563	1,539
Total equity		791,231	751,354
Total equity and liabilities		14,222,601	13,244,342

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

Approved and authorized for issue by the Board of Directors on 28 August 2013.

Chairman

Executive Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2013
(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 2013 (Audited)		324,794	98,773	(901)	43,996	75,349	208,488	(684)	749,815	1,539	751,354
Profit for the period		—	—	—	—	—	92,352	—	92,352	32	92,384
Other comprehensive expenses		—	—	(1,388)	—	—	—	(281)	(1,669)	(8)	(1,677)
Total comprehensive (expenses)/ income for the period		—	—	(1,388)	—	—	92,352	(281)	90,683	24	90,707
Appropriation to surplus reserve		—	—	—	37	—	(37)	—	—	—	—
Appropriation to general reserve	43	—	—	—	—	63,829	(63,829)	—	—	—	—
Dividends	14	—	—	—	—	—	(50,830)	—	(50,830)	—	(50,830)
As at 30 June 2013 (Unaudited)		**324,794**	**98,773**	**(2,289)**	**44,033**	**139,178**	**186,144**	**(965)**	**789,668**	**1,563**	**791,231**
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
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	152	152
Appropriation to general reserve		—	—	—	—	10,477	(10,477)	—	—	—	—
Dividends		—	—	—	—	—	(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
Profit for the period		—	—	—	—	—	64,595	—	64,595	14	64,609
Other comprehensive expenses		—	—	(6,220)	—	—	—	(24)	(6,244)	—	(6,244)
Total comprehensive (expenses)/ income for the period		—	—	(6,220)	—	—	64,595	(24)	58,351	14	58,365
Appropriation to surplus reserve		—	—	—	14,487	—	(14,487)	—	—	—	—
Appropriation to general reserve		—	—	—	—	18	(18)	—	—	—	—
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	1,163	1,163
As at 31 December 2012 (Audited)		**324,794**	**98,773**	**(901)**	**43,996**	**75,349**	**208,488**	**(684)**	**749,815**	**1,539**	**751,354**

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2013	**2012**
	(Unaudited)	**(Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	119,502	104,002
Adjustments for:		
Amortization of intangible assets and other assets	1,118	933
Depreciation of property and equipment	7,326	6,425
Impairment losses on assets	22,471	22,772
Interest income arising from investment securities	(50,369)	(47,640)
Interest income arising from impaired financial assets	(358)	(252)
Interest expense on bonds issued	3,622	2,290
Net gain on investment securities	(334)	(39)
Net gain on disposal of investment in subsidiaries, associates and joint ventures	(304)	—
Dividend income arising from investment securities	—	(4)
Net gain on disposal of property, equipment and other assets	(84)	(88)
Net foreign exchange gain	3,509	(195)
	106,099	88,204
Net change in operating assets and operating liabilities:		
Net increase in balances with central banks, deposits with banks and other financial institutions	(272,945)	(86,650)
Net (increase)/decrease in placements with banks and other financial institutions	(6,142)	8,680
Net increase in loans and advances to customers	(514,808)	(450,522)
Net increase in borrowings from central bank	24	16
Net increase in placements from banks and other financial institutions	79,408	10,140
Net increase in due to customers and deposits from banks and other financial institutions	649,492	1,299,708
Increase in other operating assets	(300,879)	(157,549)
Increase/(decrease) in other operating liabilities	177,576	(155,412)
Cash (used in)/from operations	(82,175)	556,615
Income tax paid	(46,678)	(47,479)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(128,853)	509,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from disposal/redemption of investment securities	271,517	394,735
Cash received from interest income arising from investment securities	40,392	36,025
Cash received from disposal of investment in subsidiaries, associates and joint ventures	411	—
Cash received from other investing activities	206	558
Cash paid for purchase of investment securities	(450,725)	(439,204)
Cash paid for purchase of property and equipment and other assets	(9,102)	(10,029)
NET CASH USED IN INVESTING ACTIVITIES	(147,301)	(17,915)

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash payments for interest on bonds issued		(4,540)	(4,502)
Contribution from non-controlling interests		—	152
NET CASH USED IN FINANCING ACTIVITIES		(4,540)	(4,350)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(280,694)	486,871
CASH AND CASH EQUIVALENTS AT 1 JANUARY		952,936	642,107
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(2,187)	(98)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**44**	**670,055**	**1,128,880**
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		238,340	222,082
Interest paid		(104,197)	(88,771)

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

1. GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup 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, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. 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.

The Bank operates under 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 PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custody services, fund management, financial leasing services, insurance services and other services as approved by 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 its subsidiaries operating in the Mainland China are referred to as "Domestic Operations". Branches and subsidiaries registered and operating outside of the Mainland China are referred to as "Overseas Operations".

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012, which have been audited.

(Amounts in millions of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Standards and amendments effective in 2013 and adopted by the Group

In the current interim period, the Group has applied the following new and revised International Financial Reporting Standards ("IFRSs"), as well as certain amendments, issued by the International Accounting Standards Board that are mandatorily effective for the current interim period. Description of these standards and amendments were disclosed in the Group's annual financial statements for the year ended 31 December 2012.

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRS 13	Fair Value Measurement
Amendments to IFRS 7	Disclosure — Offsetting Financial Assets and Financial Liabilities
IAS 19 (as revised in 2011)	Employee Benefits
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle

IFRS 10 Consolidated Financial Statements

The Bank has assessed the impact of IFRS 10 to its condensed consolidated interim financial statements, and after analyzing the three elements of control underpinning the assessment of whether an entity or operation must be consolidated, concluded that there are no new significant entities or operations that need be consolidated by the Bank arising from the adoption of this new standard.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Group has adopted IFRS 13 in the current interim period, and included more extensive disclosures as required in the condensed consolidated interim financial statements.

The adoption of these new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective. Descriptions of these standards and amendments were disclosed in the Group's annual financial statements for the year ended 31 December 2012.

		Effective for annual period beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1 January 2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9	Financial Instruments	1 January 2015
Amendments to IFRS 7 and IFRS 9	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015

The Group is in the process of assessing the potential impact of adoption of these standards and amendments. The Group anticipates that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2012.

(Amounts in millions of Renminbi, unless otherwise stated)

5. LIST OF SUBSIDIARIES

The following are the subsidiaries of the Bank as at 30 June 2013:

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage 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	(1)	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		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB100,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.		19 December 2005	Beijing, PRC	RMB2,032,653,061	51.00	51.00	Life insurance

(1) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over this entity and has included it in its consolidation scope.

During the six months ended 30 June 2013, there was no change in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

6. NET INTEREST INCOME

	Six months ended 30 June	
	2013	2012
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	143,101	139,306
Personal loans and advances	54,049	46,761
Discounted bills	3,367	4,764
Held-to-maturity investments	24,990	22,679
Balances with central banks	18,409	21,421
Available-for-sale financial assets	15,224	12,996
Financial assets held under resale agreements	14,127	12,624
Debt instruments classified as receivables	10,155	11,965
Deposits with banks and other financial institutions	8,937	2,371
Placements with banks and other financial institutions	3,406	3,534
Financial assets held for trading	579	328
Financial assets designated at fair value through profit or loss	119	83
Subtotal	296,463	278,832
Interest expense		
Due to customers	(95,322)	(92,462)
Deposits from banks and other financial institutions	(12,228)	(12,364)
Placements from banks and other financial institutions	(4,573)	(2,557)
Debt securities issued	(4,118)	(2,496)
Financial assets sold under repurchase agreements	(219)	(1,114)
Borrowings from central bank	(1)	(1)
Subtotal	(116,461)	(110,994)
Net interest income	180,002	167,838
Interest income accrued on impaired financial assets (included within interest income)	358	252

(Amounts in millions of Renminbi, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2013	**2012**
Fee and commission income		
Agency services	12,502	9,715
Settlement and clearing services	12,080	9,912
Consultancy and advisory services	10,046	8,874
Bank card	7,462	6,974
Electronic banking services	3,108	2,528
Custodian and other fiduciary services	2,404	722
Credit commitment	1,484	1,194
Others	635	227
Subtotal	49,721	40,146
Fee and commission expense		
Bank card	(801)	(409)
Settlement and clearing services	(643)	(492)
Electronic banking services	(420)	(291)
Others	(260)	(25)
Subtotal	(2,124)	(1,217)
Net fee and commission income	**47,597**	**38,929**

8. NET TRADING GAIN

	Six months ended 30 June	
	2013	**2012**
Net gain on foreign exchange rate derivatives	1,358	1,404
Net gain on interest rate derivatives	165	104
Net (loss)/gain on held-for-trading debt securities	(287)	86
Net gain on precious metals	837	87
Total	**2,073**	**1,681**

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

	Six months ended 30 June	
	2013	**2012**
Net (loss)/gain on debt securities	(146)	15
Net loss on structured deposits	(5)	(806)
Others	241	666
Total	**90**	**(125)**

(Amounts in millions of Renminbi, unless otherwise stated)

10. OTHER OPERATING INCOME

	Six months ended 30 June	
	2013	**2012**
Insurance premium	4,020	—
Government grant	885	857
Net gain on foreign exchange	255	984
Rental income	186	122
Gain on disposal of property and equipment	118	107
Others	484	480
Total	**5,948**	**2,550**

11. OPERATING EXPENSES

		Six months ended 30 June	
		2013	**2012**
Staff costs	(1)	48,821	45,857
General operating and administrative expenses		17,893	17,558
Business tax and surcharges		13,657	12,539
Depreciation and amortization		8,444	7,358
Insurance benefits and claims		4,046	—
Others		1,210	826
Total		**94,071**	**84,138**

(1) Staff costs

	Six months ended 30 June	
	2013	**2012**
Salaries, bonuses, allowances and subsidies	31,742	31,155
Social insurance	8,169	6,854
Housing funds	3,357	2,810
Labor union fee and staff education expenses	1,406	1,382
Early retirement benefits	1,095	969
Others	3,052	2,687
Total	**48,821**	**45,857**

(Amounts in millions of Renminbi, unless otherwise stated)

12. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2013	**2012**
Loans and advances to customers	22,211	22,816
Placements with banks and other financial institutions	159	(73)
Held-to-maturity investments	138	(9)
Debt instruments classified as receivables	126	30
Property and equipment	1	2
Financial assets held under resale agreements	—	1
Deposits with banks and other financial institutions	(34)	—
Available-for-sale financial assets	(55)	(281)
Other assets	(75)	286
Total	**22,471**	**22,772**

13. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	**2012**
Current income tax		
— PRC Enterprise Income Tax	31,639	30,964
— Hong Kong Profits Tax	186	118
— Other jurisdictions	14	—
Subtotal	31,839	31,082
Deferred tax (Note 29)	(4,721)	(7,602)
Total	**27,118**	**23,480**

PRC Enterprise Income Tax is calculated at 25% of the estimated taxable profit for the current and prior periods, and also includes supplementary PRC tax on overseas branches as determined in accordance with the relevant PRC income tax rules and regulations. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the six months ended 30 June 2013 and 30 June 2012 can be reconciled to the profit per the condensed consolidated interim income statements as follows:

		Six months ended 30 June	
		2013	**2012**
Profit before tax		119,502	104,002
Tax calculated at applicable statutory tax rate of 25%		29,876	26,001
Tax effect of items such as expenses not deductible for tax purpose		465	417
Tax effect of income not taxable for tax purpose	(1)	(3,214)	(2,856)
Effect of different tax rates in other jurisdictions		(9)	(82)
Income tax expense		**27,118**	**23,480**

(1) Non-taxable income primarily includes interest income from PRC treasury bonds.

(Amounts in millions of Renminbi, unless otherwise stated)

14. DIVIDENDS

		Six months ended 30 June	
		2013	2012
Dividends recognized as distribution during the period			
Cash dividend related to 2012	(1)	50,830	—
Cash dividend related to 2011	(2)	—	42,710
		50,830	42,710

No dividends related to the period from 1 January to 30 June 2013 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2013.

(1) Distribution of final dividend for 2012
A cash dividend of RMB0.1565 per share related to 2012, amounting to RMB50,830 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2012, 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 18 June 2013.

The above dividend was recognized as dividends payable as at 30 June 2013.

(2) Distribution of final dividend for 2011
A cash dividend of RMB0.1315 per share related to 2011, amounting to RMB42,710 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2011 as determined in accordance with the PRC GAAP at the annual general meeting held on 8 June 2012.

The above dividend was recognized as distribution during the six-month period ended 30 June 2012.

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Six months ended 30 June	
	2013	2012
Earnings:		
Profit for the period attributable to equity holders of the Bank	92,352	80,499
Number of shares:		
Weight average number of shares in issue (million)	324,794	324,794
Basic and diluted earnings per share (RMB yuan)	0.28	0.25

There were no potential ordinary shares outstanding during both reporting periods.

(Amounts in millions of Renminbi, unless otherwise stated)

16. CASH AND BALANCES WITH CENTRAL BANKS

		30 June 2013	31 December 2012
Cash		79,283	93,096
Mandatory reserve deposits with central banks	(1)	2,230,685	2,094,197
Surplus reserve deposits with central banks	(2)	107,943	158,332
Other deposits with central banks	(3)	133,994	267,486
Total		**2,551,905**	**2,613,111**

(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 2013, for domestic institutions of the Bank which meet the requirements of "Notice on Differential Mandatory Reserve Deposits for the Sannong Banking Operations of Agricultural Bank of China Limited for 2013 issued by the People's Bank of China" (Yinbanfa [2013] No.57) and effective from 7 March 2013, RMB mandatory reserve deposits with the PBOC were based on 18% of qualified RMB deposits (31 December 2012: 18%), while for the remaining domestic institutions of the Bank, RMB mandatory reserve deposits were based on 20% of qualified RMB deposits (31 December 2012: 20%). Foreign currency mandatory reserve deposits were based on 5% (31 December 2012: 5%) of qualified foreign currency deposits from customers. Mandatory reserve deposits placed by overseas institutions were determined based on respective 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.*

(3) *This primarily represents fixed deposits and fiscal deposits placed with the PBOC, of which fiscal deposits are non-interest bearing.*

17. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2013	31 December 2012
Deposits with:		
Domestic banks	467,341	204,841
Other domestic financial institutions	1,965	2,330
Overseas banks	33,398	55,096
Gross amount	502,704	262,267
Allowance for impairment losses — individually assessed	—	(34)
Deposits with banks and other financial institutions	**502,704**	**262,233**

As at 30 June 2013, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB1,035 million (31 December 2012: RMB1,180 million). These deposits were mainly pledged with overseas banks for the purpose of executing financial derivative transactions.

(Amounts in millions of Renminbi, unless otherwise stated)

18. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2013	31 December 2012
Placements with:		
Domestic banks	28,627	97,824
Other domestic financial institutions	186,694	100,598
Overseas banks	35,810	25,333
Gross amount	251,131	223,755
Allowance for impairment losses — collectively assessed	(534)	(375)
Placements with banks and other financial institutions	**250,597**	**223,380**

19. FINANCIAL ASSETS HELD FOR TRADING

	30 June 2013	31 December 2012
Debt securities issued by:		
Governments	2,654	1,227
Public sector and quasi-governments	16,488	9,575
Financial institutions	512	42
Corporates	14,674	12,345
Subtotal	34,328	23,189
Equity instruments	205	—
Total	**34,533**	**23,189**

As at 30 June 2013 and 31 December 2012, the Group's financial assets held for trading including debt securities traded on the China Domestic Interbank Bond Market, were all listed outside of Hong Kong.

(Amounts in millions of Renminbi, unless otherwise stated)

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

		30 June 2013	31 December 2012
Debt securities issued by:			
Governments		4,062	2,938
Public sector and quasi-governments		3,607	3,606
Financial institutions		16,049	9,104
Corporates		12,822	13,898
Interests in trust products	(1)	121,785	72,053
Other debt instruments	(1)	50,793	48,766
Others		4,802	5,001
Total		**213,920**	**155,366**
Analyzed as:			
Listed in Hong Kong		988	1,954
Listed outside Hong Kong	(2)	14,992	13,049
Unlisted		197,940	140,363
Total		**213,920**	**155,366**

(1) Underlying interests in trust products and other debt instruments represent certain credit assets, debt securities and deposits with financial institutions.

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

21. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group enters into foreign exchange rate, interest rate and precious metals derivative contracts related to trading, asset and liability management, and customer initiated transactions.

The contractual/notional amounts and fair values of the derivative financial instruments entered into 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 recognized on the condensed consolidated interim 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 fair value of derivative instruments become favorable (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)

21. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

	30 June 2013		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	212,261	1,757	(1,797)
Currency swaps	322,924	4,277	(2,027)
Cross-currency interest rate swaps	15,780	425	(761)
Currency options	9,966	43	(22)
Subtotal		6,502	(4,607)
Interest rate derivatives			
Interest rate swaps	194,193	960	(1,347)
Precious metal contracts	2,511	387	—
Others	1,576	2	(3)
Total derivative financial assets and liabilities		**7,851**	**(5,957)**

	31 December 2012		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	180,704	1,612	(1,674)
Currency swaps	274,960	1,647	(1,371)
Cross-currency interest rate swaps	26,415	546	(881)
Currency options	6,286	15	(11)
Subtotal		3,820	(3,937)
Interest rate derivatives			
Interest rate swaps	173,385	925	(1,569)
Precious metal contracts	2,986	80	(8)
Total derivatives financial assets and liabilities		**4,825**	**(5,514)**

22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2013	31 December 2012
Analyzed by collateral type:		
Debt securities	298,589	506,073
Bills	486,263	307,047
Loans and advances	800	1,500
Total	**785,652**	**814,620**

(Amounts in millions of Renminbi, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	30 June 2013	31 December 2012
Corporate loans and advances		
Loans and advances	4,844,562	4,612,731
Discounted bills	167,505	112,706
Subtotal	5,012,067	4,725,437
Personal loans and advances	1,934,053	1,707,962
Gross loans and advances	6,946,120	6,433,399
Allowance for impairment losses		
Individually assessed	(50,844)	(52,242)
Collectively assessed	(247,863)	(227,746)
Total allowance for impairment losses	(298,707)	(279,988)
Loans and advances to customers	**6,647,413**	**6,153,411**

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

	Loans and advances for which the allowance is collectively assessed (1)	Identified impaired loans and advances (2)				Identified impaired gross loans and advances as a % of total gross loans and advances
		For which the allowance is collectively assessed	For which the allowance is individually assessed	Subtotal	Total	
30 June 2013						
Gross loans and advances	6,859,423	14,216	72,481	86,697	6,946,120	1.25
Allowance for impairment losses	(238,026)	(9,837)	(50,844)	(60,681)	(298,707)	
Loans and advances to customers, net	**6,621,397**	**4,379**	**21,637**	**26,016**	**6,647,413**	
31 December 2012						
Gross loans and advances	6,347,551	12,962	72,886	85,848	6,433,399	1.33
Allowance for impairment losses	(219,284)	(8,462)	(52,242)	(60,704)	(279,988)	
Loans and advances to customers, net	**6,128,267**	**4,500**	**20,644**	**25,144**	**6,153,411**	

(1) Loans and advances for which the 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, which are measured either individually (corporate loans and advances) or collectively (personal loans and advances).

(Amounts in millions of Renminbi, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	Six months ended 30 June 2013		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
1 January 2013	52,242	227,746	279,988
Impairment allowances on loans charged to profit or loss	9,890	32,781	42,671
Reversal of impairment allowances	(8,669)	(11,791)	(20,460)
Net additions	1,221	20,990	22,211
Write-offs	(2,696)	(647)	(3,343)
Recovery of loans and advances written off in previous years	369	27	396
Unwinding of discount on allowance	(247)	(111)	(358)
Exchange difference	(45)	(142)	(187)
30 June 2013	**50,844**	**247,863**	**298,707**

	Year ended 31 December 2012		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
1 January 2012	54,024	175,818	229,842
Impairment allowances on loans charged to profit or loss	16,618	76,215	92,833
Reversal of impairment allowances	(14,574)	(23,631)	(38,205)
Net additions	2,044	52,584	54,628
Write-offs	(3,482)	(527)	(4,009)
Recovery of loans and advances written off in previous years	80	20	100
Unwinding of discount on allowance	(423)	(134)	(557)
Exchange difference	(1)	(15)	(16)
31 December 2012	**52,242**	**227,746**	**279,988**

(Amounts in millions of Renminbi, unless otherwise stated)

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		30 June 2013	31 December 2012
Debt securities issued by:			
Governments		184,569	194,742
Public sector and quasi-governments		409,721	335,421
Financial institutions		49,629	38,981
Corporates		207,549	183,014
Subtotal		851,468	752,158
Equity instruments		1,009	661
Fund investments		1,983	2,684
Total		854,460	755,503
Analyzed as:			
Debt securities			
Listed in Hong Kong		11,547	7,535
Listed outside Hong Kong	(1)	825,101	733,438
Unlisted		14,820	11,185
Equity instruments and fund investments			
Listed outside Hong Kong		2,913	2,502
Unlisted		79	843
Total		**854,460**	**755,503**

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

25. HELD-TO-MATURITY INVESTMENTS

		30 June 2013	31 December 2012
Debt securities issued by:			
Governments		518,146	552,192
Public sector and quasi-governments		713,923	656,045
Financial institutions		32,246	21,340
Corporates		117,164	79,439
Gross amount		1,381,479	1,309,016
Allowance for impairment losses			
Collectively assessed		(358)	(220)
Held-to-maturity investments, net		1,381,121	1,308,796
Analyzed as:			
Listed in Hong Kong		818	913
Listed outside Hong Kong	(1)	1,378,622	1,306,019
Unlisted		1,681	1,864
Total		**1,381,121**	**1,308,796**

(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)

26. DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

		30 June 2013	31 December 2012
Debt instruments:			
Receivable from the MOF	(1)	392,883	392,883
Special government bond	(2)	93,300	93,300
Public sector and quasi-governments bonds		66,402	66,316
Financial institution bonds		26,360	23,420
Corporate bonds		26,212	20,971
Certificate treasury bonds and savings treasury bonds		7,794	10,707
Others		891	1,205
Gross amount, unlisted		613,842	608,802
Allowance for impairment losses			
Individually assessed		(51)	(51)
Collectively assessed		(283)	(157)
Total allowance for impairment losses		(334)	(208)
Debt instruments classified as receivables, net		**613,508**	**608,594**

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

27. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2013	112,618	48,476	4,030	26,375	191,499
Additions	496	394	379	3,219	4,488
Transfers	3,442	919	—	(4,361)	—
Disposals	(76)	(630)	(71)	—	(777)
30 June 2013	116,480	49,159	4,338	25,233	195,210
Accumulated depreciation					
1 January 2013	(24,688)	(22,141)	(2,873)	—	(49,702)
Charge for the year	(3,404)	(3,773)	(149)	—	(7,326)
Eliminated on disposals	59	587	57	—	703
30 June 2013	(28,033)	(25,327)	(2,965)	—	(56,325)
Allowance for impairment losses					
1 January 2013	(293)	(10)	(3)	(1)	(307)
Impairment loss	(1)	—	—	—	(1)
Eliminated on disposals	5	—	—	—	5
30 June 2013	(289)	(10)	(3)	(1)	(303)
Carrying value					
30 June 2013	88,158	23,822	1,370	25,232	138,582
1 January 2013	87,637	26,325	1,154	26,374	141,490

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2012	105,756	39,204	4,077	20,837	169,874
Additions	1,312	9,815	128	12,949	24,204
Transfers	6,353	786	5	(7,144)	—
Disposals	(1,040)	(1,345)	(183)	(267)	(2,835)
Acquisitions through business combination	237	16	3	—	256
31 December 2012	112,618	48,476	4,030	26,375	191,499
Accumulated depreciation					
1 January 2012	(18,560)	(16,555)	(2,652)	—	(37,767)
Charge for the year	(6,306)	(6,803)	(388)	—	(13,497)
Eliminated on disposals	178	1,217	167	—	1,562
31 December 2012	(24,688)	(22,141)	(2,873)	—	(49,702)
Allowance for impairment losses					
1 January 2012	(278)	(10)	(3)	(1)	(292)
Impairment loss	(22)	(1)	—	—	(23)
Eliminated on disposals	7	1	—	—	8
31 December 2012	(293)	(10)	(3)	(1)	(307)
Carrying values					
31 December 2012	87,637	26,325	1,154	26,374	141,490
1 January 2012	86,918	22,639	1,422	20,836	131,815

(Amounts in millions of Renminbi, unless otherwise stated)

27. PROPERTY AND EQUIPMENT (continued)

According to the relevant laws and regulations, subsequent to the transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at the date of issuance of these condensed consolidated interim financial statements, the registration transfer process has not been completed. Management believes that the unfinished registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

The carrying amounts of buildings located on land with the following remaining lease terms are as follows:

	30 June 2013	31 December 2012
Held in Hong Kong		
on long-term lease (over 50 years)	84	139
on medium-term lease (10–50 years)	2	2
Subtotal	86	141
Held outside Hong Kong		
on long-term lease (over 50 years)	4,254	3,580
on medium-term lease (10–50 years)	75,549	75,165
on short-term lease (less than 10 years)	8,269	8,751
Subtotal	88,072	87,496
Total	**88,158**	**87,637**

28. GOODWILL

Subsidiary acquired	1 January 2013	Addition	Disposal	30 June 2013	Allowance for impairment losses
ABC Life Insurance Co., Ltd.	1,381	—	—	1,381	—

Subsidiary acquired	1 January 2012	Addition	Disposal	31 December 2012	Allowance for impairment losses
ABC Life Insurance Co., Ltd.	—	1,381	—	1,381	—

(Amounts in millions of Renminbi, unless otherwise stated)

29. DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated interim statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	30 June 2013	31 December 2012
Deferred tax assets	62,082	56,949
Deferred tax liabilities	(8)	(15)
Total	62,074	56,934

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2013	46,289	6,388	2,944	879	437	(3)	56,934
Credit/(charge) to profit or loss	4,713	(352)	(102)	151	309	2	4,721
Credit to other comprehensive income	—	—	—	—	419	—	419
30 June 2013	**51,002**	**6,036**	**2,842**	**1,030**	**1,165**	**(1)**	**62,074**

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2012	36,035	5,411	3,248	699	300	(22)	45,671
Credit/(charge) to profit or loss	10,254	977	(304)	180	(667)	19	10,459
Credit to other comprehensive income	—	—	—	—	804	—	804
31 December 2012	**46,289**	**6,388**	**2,944**	**879**	**437**	**(3)**	**56,934**

(Amounts in millions of Renminbi, unless otherwise stated)

29. DEFERRED TAXATION (continued)

(2) Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	30 June 2013		31 December 2012	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	204,061	51,002	185,156	46,289
Accrued but not paid staff cost	24,144	6,036	25,554	6,388
Fair value changes of financial instruments	14,275	3,569	7,761	1,941
Early retirement benefits	11,370	2,842	11,777	2,944
Provision	4,118	1,030	3,515	879
Others	32	7	18	5
Subtotal	258,000	64,486	233,781	58,446
Deferred tax liabilities				
Fair value changes of financial instruments	(9,616)	(2,404)	(6,014)	(1,504)
Others	(48)	(8)	(48)	(8)
Subtotal	(9,664)	(2,412)	(6,062)	(1,512)
Net	248,336	62,074	227,719	56,934

(Amounts in millions of Renminbi, unless otherwise stated)

30. OTHER ASSETS

		30 June 2013	31 December 2012
Interest receivable		77,724	59,993
Accounts receivable and temporary payments		41,844	8,910
Land use rights	(1)	24,140	24,492
Premiums receivable and reinsurance assets		3,785	3,721
Intangible assets		2,456	2,106
Foreclosed assets		975	896
Others		25,967	21,268
Total		**176,891**	**121,386**

(1) Land use rights

The carrying amount of land use rights (including leasehold land in Hong Kong) analysed by the remaining terms of the leases:

	30 June 2013	31 December 2012
Held in Hong Kong		
on long-term lease (over 50 years)	1,037	1,055
Held outside Hong Kong		
on long-term lease (over 50 years)	410	327
on medium-term lease (10-50 years)	22,649	23,066
on short-term lease (less than 10 years)	44	44
Subtotal	23,103	23,437
Total	**24,140**	**24,492**

According to the relevant laws and regulations, subsequent to the transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at the date of issuance of these condensed consolidated interim financial statements, the registration transfer process has not been completed. Management believes that the unfinished registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

(Amounts in millions of Renminbi, unless otherwise stated)

31. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2013	31 December 2012
Deposits from:		
Domestic banks	199,375	251,549
Other domestic financial institutions	570,292	531,647
Overseas banks	8,284	702
Other overseas financial institutions	2,453	454
Total	**780,404**	**784,352**

32. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2013	31 December 2012
Placements from:		
Domestic banks and other financial institutions	108,801	73,416
Overseas banks and other financial institutions	120,328	76,305
Total	**229,129**	**149,721**

33. FINANCIAL LIABILITIES HELD FOR TRADING

	30 June 2013	31 December 2012
Financial liabilities related to precious metals	14,523	3,674

34. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2013	31 December 2012
Principal guaranteed wealth management products	(1)	284,965	155,065
Other		—	6
Total		**284,965**	**155,071**

(1) The Group designates wealth management products with principal guaranteed as financial liabilities at fair value through profit or loss. The corresponding investments are designated financial assets at fair value through profit or loss. As at 30 June 2013, 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 RMB6,578 million (31 December 2012: RMB3,234 million).

For the six months ended 30 June 2013 and the year of 2012, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in the Bank's own credit risk.

(Amounts in millions of Renminbi, unless otherwise stated)

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2013	31 December 2012
Analyzed by type of collateral:		
Debt securities	14,195	7,415
Bills	28	216
Total	**14,223**	**7,631**

36. DUE TO CUSTOMERS

		30 June 2013	31 December 2012
Demand deposits			
Corporate customers		2,734,697	2,706,447
Individual customers		3,247,946	3,221,969
Time deposits			
Corporate customers		1,497,352	1,314,629
Individual customers		3,507,704	3,200,531
Pledged deposits	(1)	250,651	216,879
Others		248,833	202,480
Total		**11,487,183**	**10,862,935**

(1) Analyzed by the activity to which the deposits are related:

	30 June 2013	31 December 2012
Bank acceptances	89,342	70,409
Trade finance and others	45,793	44,638
Guarantee and letters of guarantee	42,400	29,800
Letters of credit	31,649	27,535
Others	41,467	44,497
Total	**250,651**	**216,879**

37. DEBT SECURITIES ISSUED

		30 June 2013	31 December 2012
Bonds issued	(1)	150,893	150,885
Certificates of deposit issued	(2)	70,947	41,754
Total		**221,840**	**192,639**

(Amounts in millions of Renminbi, unless otherwise stated)

37. DEBT SECURITIES ISSUED (continued)

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

		30 June 2013	31 December 2012
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
3.2% fixed rate RMB bonds maturing in November 2015	(v)	1,000	1,000
4.99% subordinated fixed rate bonds maturing in December 2027	(vi)	50,000	50,000
Total nominal value		151,000	151,000
Less: Unamortized issuance cost		(107)	(115)
Carrying value		**150,893**	**150,885**

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB50,000 million in May 2009, June 2011 and December 2012 respectively, and issued RMB bonds of RMB1,000 million in Hong Kong in November 2012.

(i) The subordinated fixed rate bonds issued in May 2009 have a tenor 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 tenor 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 tenor 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 tenor 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.

(v) The Renminbi bonds issued in November 2012 have a tenor of 3 years, with a fixed coupon rate 3.2%, payable semi-annually.

(vi) The subordinated fixed rate bonds issued in December 2012 have a tenor of 15 years, with a fixed coupon rate of 4.99%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 December 2022. If the Bank does not exercise this option, the coupon rate of the bonds will remain at 4.99% per annum from 20 December 2022 onwards.

As at 30 June 2013 and 31 December 2012, there was no default for these debt securities issued.

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

(Amounts in millions of Renminbi, unless otherwise stated)

38. OTHER LIABILITIES

		30 June 2013	31 December 2012
Interest payable		141,468	133,744
Clearing and settlement		68,598	38,925
Staff costs payable	(1)	43,105	47,697
Income taxes payable		25,981	40,419
Insurance liabilities		15,850	12,855
Business and other taxes payable		7,401	8,034
Provision		4,674	4,090
Policyholders' deposits		4,073	4,460
Reinsurance liabilities		3,445	3,525
Amount payable to the MOF	(2)	2,162	1,610
Dormant accounts		1,984	1,912
Others		23,477	34,099
Total		**342,218**	**331,370**

(1) Staff costs payable

	Six months ended 30 June 2013			
	1 January	Accrued	Paid	30 June
Salaries, bonuses, allowances and subsidies (i)	25,704	31,742	(33,247)	24,199
Social insurance (i)	1,866	8,169	(8,625)	1,410
Housing funds	301	3,357	(3,180)	478
Labor union fees and staff education expenses	2,304	1,406	(714)	2,996
Early retirement benefits (ii)	11,777	1,095	(1,502)	11,370
Others	5,745	3,052	(6,145)	2,652
Total	**47,697**	**48,821**	**(53,413)**	**43,105**

	2012			
	1 January	Accrued	Paid	31 December
Salaries, bonuses, allowances and subsidies (i)	21,697	58,315	(54,308)	25,704
Social insurance (i)	847	14,689	(13,670)	1,866
Housing funds	274	6,078	(6,051)	301
Labor union fees and staff education expenses	1,981	2,613	(2,290)	2,304
Early retirement benefits (ii)	12,992	2,005	(3,220)	11,777
Others	2,826	11,147	(8,228)	5,745
Total	**40,617**	**94,847**	**(87,767)**	**47,697**

(i) 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 Group's policy.

(Amounts in millions of Renminbi, unless otherwise stated)

38. OTHER LIABILITIES (continued)

(1) Staff costs payable (continued)

(ii) 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 recognized in the condensed consolidated interim income statement in respect of the early retirement benefits are as follows:

	Six months ended 30 June	
	2013	**2012**
Interest cost	176	181
Actuarial loss recognized in the period	682	495
Past service cost	237	293
Total	**1,095**	**969**

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

	30 June 2013	**31 December 2012**
Discount rate	3.60%	3.19%
Annual average medical expense growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
— Male	60	60
— Female	55	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (year 2000 — 2003) (published historical statistics in China).

As at 30 June 2013 and 31 December 2012, the Group has no default on the above staff costs payables.

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

(Amounts in millions of Renminbi, unless otherwise stated)

39. SHARE CAPITAL

During the six months ended 30 June 2013 and the year ended 31 December 2012, there was no change in the Bank's share capital.

	As at 30 June 2013 and 31 December 2012	
	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**

A share refers to the ordinary shares listed in the Mainland China. They are offered and traded in RMB. H share refers to the ordinary shares listed in Hong Kong. Their par value is denominated in RMB. They were initially offered and are currently traded in HKD.

As at 30 June 2013, 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 2012: 268,485 million A shares and none of the H shares, respectively).

40. CAPITAL RESERVE

The capital reserve represents the premium related to shares issued by the Bank in 2010. Share premium was recorded in the capital reserve after deducting direct issue costs, which consisted primarily of underwriting fees and professional fees.

41. INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2013		
	Gross amount	Tax effect	Net effect
1 January 2013	(1,224)	323	(901)
Fair value changes on available-for-sale financial assets	(1,810)	417	(1,393)
Transferred to profit or loss upon disposal of available-for-sale financial assets	7	(2)	5
30 June 2013	**(3,027)**	**738**	**(2,289)**

(Amounts in millions of Renminbi, unless otherwise stated)

41. INVESTMENT REVALUATION RESERVE (continued)

	2012		
	Gross amount	Tax effect	Net effect
1 January 2012	1,805	(481)	1,324
Fair value changes on available-for-sale financial assets	(3,004)	798	(2,206)
Transferred to profit or loss upon disposal of available-for-sale financial assets	(25)	6	(19)
31 December 2012	**(1,224)**	**323**	**(901)**

42. SURPLUS RESERVE

Under PRC Law, 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 this reserve has reached 50% of share capital.

43. GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" ("Requirement") issued by the MOF, effective from 1 July 2012, in addition to the impairment allowance, the Bank establishes a general reserve within equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement.

Pursuant to relevant PRC regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as a general reserve.

During the six months ended 30 June 2013, the Group transferred RMB63,829 million (six months ended 30 June 2012: RMB10,477 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB63,482 million (six months ended 30 June 2012: RMB10,405 million) related to the appropriation proposed for the year ended 31 December 2012 which was approved in the Annual General Meeting held on 18 June 2013.

44. CASH AND CASH EQUIVALENTS

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

	30 June 2013	30 June 2012
Cash	79,283	71,717
Surplus reserve deposits with central banks	107,943	162,206
Deposits with banks and other financial institutions	57,965	217,485
Placements with banks and other financial institutions	126,965	49,197
Financial assets held under resale agreements	297,899	628,275
Total	**670,055**	**1,128,880**

45. 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 constitute the chief operating decision makers, 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. 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, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the condensed consolidated interim financial statements and those used in preparing the operating segment information.

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
Overseas and Others:	including overseas branches and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

45. 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	Eliminations	Consolidated total
For the six months ended 30 June 2013										
External interest income	85,010	53,006	32,458	36,902	28,172	47,974	8,559	4,382	—	296,463
External interest expense	(8,482)	(25,681)	(15,272)	(21,372)	(17,408)	(19,733)	(6,109)	(2,404)	—	(116,461)
Inter-segment interest (expense)/income	(66,472)	12,225	6,746	15,359	14,128	13,624	4,375	15	—	—
Net interest income	10,056	39,550	23,932	30,889	24,892	41,865	6,825	1,993	—	180,002
Fee and commission income	5,066	11,168	7,047	7,492	7,474	9,411	1,543	520	—	49,721
Fee and commission expense	(206)	(391)	(359)	(353)	(385)	(367)	(61)	(2)	—	(2,124)
Net fee and commission income	4,860	10,777	6,688	7,139	7,089	9,044	1,482	518	—	47,597
Net trading gain	1,929	597	140	65	100	205	102	(1,065)	—	2,073
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(209)	23	4	210	(3)	(3)	—	68	—	90
Net gain on investment securities	5	—	—	—	—	—	—	329	—	334
Other operating income	(1,451)	507	194	293	442	759	45	5,159	—	5,948
Operating income	15,190	51,454	30,958	38,596	32,520	51,870	8,454	7,002	—	236,044
Operating expenses	(3,274)	(17,284)	(11,444)	(13,908)	(15,143)	(21,480)	(6,609)	(4,929)	—	(94,071)
Impairment losses on assets	(994)	(9,175)	(2,254)	(4,130)	(1,144)	(2,229)	(2,420)	(125)	—	(22,471)
Profit/(loss) before tax	10,922	24,995	17,260	20,558	16,233	28,161	(575)	1,948	—	119,502
Income tax expense										(27,118)
Profit for the period										92,384
Depreciation and amortization included in operating expenses	(672)	(1,513)	(926)	(1,264)	(1,493)	(1,879)	(636)	(61)	—	(8,444)
Capital expenditure	839	831	487	676	641	1,476	345	218	—	5,513
As at 30 June 2013										
Segment assets	3,521,304	2,905,295	1,736,464	2,404,329	2,040,355	2,797,148	659,478	370,311	(2,274,165)	14,160,519
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	1	—	1
Unallocated assets										62,082
Total assets										14,222,601
Include: non-current assets	10,278	36,211	16,762	27,130	26,849	36,323	11,490	3,065	—	168,108
Segment liabilities	(2,748,778)	(2,909,754)	(1,739,876)	(2,410,483)	(2,040,130)	(2,804,455)	(663,568)	(362,502)	2,274,165	(13,405,381)
Unallocated liabilities										(25,989)
Total liabilities										(13,431,370)
Credit commitments	34,722	412,543	208,594	322,063	159,314	205,841	45,346	50,529	—	1,438,952

(Amounts in millions of Renminbi, unless otherwise stated)

45. 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	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	2,455	—	278,832
External interest expense	(7,816)	(26,824)	(14,689)	(20,872)	(15,473)	(18,397)	(5,511)	(1,412)	—	(110,994)
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	1,009	—	167,838
Fee and commission income	3,599	8,999	5,981	5,683	6,459	7,759	1,262	404	—	40,146
Fee and commission expense	(142)	(211)	(219)	(230)	(144)	(218)	(53)	—	—	(1,217)
Net fee and commission income	3,457	8,788	5,762	5,453	6,315	7,541	1,209	404	—	38,929
Net trading gain	540	464	15	70	96	356	112	28	—	1,681
Net gain/(loss) on financial instruments designated at fair value through profit or loss	636	(505)	(85)	(80)	—	(67)	—	(24)	—	(125)
Net gain on investment securities	17	—	—	—	17	—	—	5	—	39
Other operating income	(137)	509	317	259	290	684	82	546	—	2,550
Operating income	23,260	45,139	26,947	32,903	27,927	45,206	7,562	1,968	—	210,912
Operating expenses	(3,985)	(16,147)	(10,340)	(13,641)	(13,861)	(19,680)	(5,958)	(526)	—	(84,138)
Impairment losses on assets	(13)	(8,850)	(3,119)	(5,257)	(784)	(2,734)	(1,817)	(198)	—	(22,772)
Profit/(loss) before tax	19,262	20,142	13,488	14,005	13,282	22,792	(213)	1,244	—	104,002
Income tax expense										(23,480)
Profit for the period										80,522
Depreciation and amortization included in operating expenses	(582)	(1,375)	(835)	(1,109)	(1,275)	(1,610)	(553)	(19)	—	(7,358)
Capital expenditure	627	400	235	555	257	680	122	4,532	—	7,408
As at 31 December 2012										
Segment assets	3,324,094	2,817,620	1,701,935	2,238,833	1,897,828	2,670,956	618,675	282,469	(2,365,017)	13,187,393
Including: Investments in associates and joint ventures	—	—	—	—	108	—	—	—	—	108
Unallocated assets										56,949
Total assets										13,244,342
Include: non-current assets	8,786	36,753	15,329	25,197	21,245	36,321	10,438	2,476	—	156,545
Segment liabilities	(2,674,506)	(2,792,418)	(1,688,309)	(2,226,780)	(1,885,574)	(2,654,775)	(619,235)	(275,974)	2,365,017	(12,452,554)
Unallocated liabilities										(40,434)
Total liabilities										(12,492,988)
Credit commitments	37,898	413,763	231,700	306,188	174,437	236,836	50,193	38,376	—	1,489,391

45. 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 and repurchase transactions, debt instruments investments, and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise equity investments, and components of the Group that are 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.

During the second half of 2012, the Group enhanced its allocation basis for staff costs to better reflect the resources deployed for each segment and restated the figures for the six months ended 30 June 2012 accordingly. As a result, profit before tax for the corporate banking segment reduced by RMB8,591 million, whereas profit before tax for the segments of personal banking and treasury operations increased by RMB5,868 million and RMB2,723 million, respectively, for the six months ended 30 June 2012.

(Amounts in millions of Renminbi, unless otherwise stated)

45. OPERATING SEGMENTS (continued)

Business operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
For the six months ended 30 June 2013					
External interest income	145,512	54,051	95,592	1,308	296,463
External interest expense	(37,868)	(66,563)	(11,339)	(691)	(116,461)
Inter-segment interest (expense)/income	(7,070)	78,993	(71,923)	—	—
Net interest income	100,574	66,481	12,330	617	180,002
Fee and commission income	29,335	19,846	—	540	49,721
Fee and commission expense	(707)	(1,417)	—	—	(2,124)
Net fee and commission income	28,628	18,429	—	540	47,597
Net trading gain	—	—	2,135	(62)	2,073
Net gain on financial instruments designated at fair value through profit or loss	—	—	39	51	90
Net gain on investment securities	—	—	5	329	334
Other operating income	574	433	556	4,385	5,948
Operating income	129,776	85,343	15,065	5,860	236,044
Operating expenses	(40,703)	(40,815)	(7,632)	(4,921)	(94,071)
Impairment losses on assets	(9,893)	(12,085)	(337)	(156)	(22,471)
Profit before tax	79,180	32,443	7,096	783	119,502
Income tax expense					(27,118)
Profit for the period					92,384
Depreciation and amortization included in operating expenses	(1,839)	(4,996)	(1,569)	(40)	(8,444)
Capital expenditure	1,205	3,274	1,028	6	5,513
As at 30 June 2013					
Segment assets	4,868,053	2,048,690	7,169,697	74,079	14,160,519
Including: Investments in associates and joint ventures	—	—	—	1	1
Unallocated assets					62,082
Total assets					14,222,601
Segment liabilities	(4,843,724)	(7,144,339)	(1,302,757)	(114,561)	(13,405,381)
Unallocated liabilities					(25,989)
Total liabilities					(13,431,370)
Credit commitments	1,134,999	303,953	—	—	1,438,952

(Amounts in millions of Renminbi, unless otherwise stated)

45. OPERATING SEGMENTS (continued)

Business operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
For the six months ended 30 June 2012					
External interest income	143,349	46,820	87,981	682	278,832
External interest expense	(40,433)	(63,076)	(7,047)	(438)	(110,994)
Inter-segment interest (expense)/income	(4,569)	73,321	(68,752)	—	—
Net interest income	98,347	57,065	12,182	244	167,838
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 at fair value through profit or loss	—	—	(113)	(12)	(125)
Net gain on investment securities	—	—	37	2	39
Other operating income	598	432	984	536	2,550
Operating income	118,874	76,131	14,771	1,136	210,912
Operating expenses	(38,297)	(38,466)	(6,873)	(502)	(84,138)
Impairment losses on assets	(13,170)	(9,758)	334	(178)	(22,772)
Profit before tax	67,407	27,907	8,232	456	104,002
Income tax expense					(23,480)
Profit for the period					80,522
Depreciation and amortization 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 31 December 2012					
Segment assets	4,609,227	1,853,401	6,661,908	62,857	13,187,393
Including: Investments in associates and joint ventures	—	—	—	108	108
Unallocated assets					56,949
Total assets					13,244,342
Segment liabilities	(4,584,002)	(6,759,389)	(1,056,194)	(52,969)	(12,452,554)
Unallocated liabilities					(40,434)
Total liabilities					(12,492,988)
Credit commitments	1,190,832	298,559	—	—	1,489,391

45. OPERATING SEGMENTS (continued)

County Area and Urban Area segments

The Group's operating segments organized 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 mainly comprise 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)

45. OPERATING SEGMENTS (continued)

County Area and Urban Area segments (continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2013				
External interest income	69,580	226,883	—	296,463
External interest expense	(40,253)	(76,208)	—	(116,461)
Inter-segment interest income/(expense)	47,196	(47,196)	—	—
Net interest income	76,523	103,479	—	180,002
Fee and commission income	17,870	31,851	—	49,721
Fee and commission expense	(725)	(1,399)	—	(2,124)
Net fee and commission income	17,145	30,452	—	47,597
Net trading gain	247	1,826	—	2,073
Net gain on financial instruments designated at fair value through profit or loss	26	64	—	90
Net gain on investment securities	—	334	—	334
Other operating income	944	5,004	—	5,948
Operating income	94,885	141,159	—	236,044
Operating expenses	(39,064)	(55,007)	—	(94,071)
Impairment losses on assets	(9,207)	(13,264)	—	(22,471)
Profit before tax	46,614	72,888	—	119,502
Income tax expense				(27,118)
Profit for the period				92,384
Depreciation and amortization included in operating expenses	(3,846)	(4,598)	—	(8,444)
Capital expenditure	1,711	3,802	—	5,513
As at 30 June 2013				
Segment assets	5,299,698	8,921,925	(61,104)	14,160,519
Including: Investments in associates and joint ventures	—	1	—	1
Unallocated assets				62,082
Total assets				14,222,601
Segment liabilities	(5,038,108)	(8,428,377)	61,104	(13,405,381)
Unallocated liabilities				(25,989)
Total liabilities				(13,431,370)
Credit commitments	328,735	1,110,217	—	1,438,952

(Amounts in millions of Renminbi, unless otherwise stated)

45. OPERATING SEGMENTS (continued)

County Area and Urban Area segments (continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2012				
External interest income	64,037	214,795	—	278,832
External interest expense	(38,201)	(72,793)	—	(110,994)
Inter-segment interest income/(expense)	41,426	(41,426)	—	—
Net interest income	67,262	100,576	—	167,838
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 at fair value through profit or loss	(223)	98	—	(125)
Net gain on investment securities	—	39	—	39
Other operating income	974	1,576	—	2,550
Operating income	82,025	128,887	—	210,912
Operating expenses	(36,969)	(47,169)	—	(84,138)
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 amortization included in operating expenses	(3,287)	(4,071)	—	(7,358)
Capital expenditure	2,093	5,315	—	7,408
As at 31 December 2012				
Segment assets	4,979,344	8,285,179	(77,130)	13,187,393
Including: Investments in associates and joint ventures	—	108	—	108
Unallocated assets				56,949
Total assets				13,244,342
Segment liabilities	(4,732,805)	(7,796,879)	77,130	(12,452,554)
Unallocated liabilities				(40,434)
Total liabilities				(12,492,988)
Credit commitments	480,218	1,009,173	—	1,489,391

(Amounts in millions of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2013, the MOF directly owned 39.21% (31 December 2012: 39.21%) of the share capital of the Bank.

The MOF is a ministry reporting to the Chinese State Council, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies.

The Group had the following balances and transactions with the MOF in its ordinary course of business under commercial terms:

	30 June 2013	31 December 2012
Treasury bonds and special government bonds	740,028	661,550
Receivable from the MOF	392,883	392,883
Interest receivable from the MOF		
— treasury bonds and special government bonds	11,076	7,122
— receivable from the MOF	2,639	223
Amount payable to the MOF	2,162	1,610
Deposits	11,304	10,835
Interest payable	8	5
Other liability		
— redemption of certificate treasury bonds on behalf of the MOF	124	788

	Six months ended 30 June	
	2013	2012
Interest income	17,595	17,450
Interest expense	(30)	(71)
Fee and commission income	4,818	3,741

Interest rate ranges for transactions with the MOF during the periods are as follows:

	Six months ended 30 June	
	2013 %	2012 %
Treasury bonds and receivable from the MOF	1.77 – 6.34	1.55 – 6.34
Deposits	0.05 – 3.25	0.10 – 1.31

Redemption commitment for government bonds underwriting is disclosed in note 47.

(Amounts in millions of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS (continued)

(2) The Group and Huijin and companies under Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited incorporated in Beijing, PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations relative to the Bank on behalf of the PRC Government.

As at 30 June 2013, Huijin directly owned 40.27% (31 December 2012: 40.21%) of the share capital of the Bank.

Transactions with Huijin

The Group had the following balances and transactions with Huijin in its ordinary course of business under commercial terms:

	30 June 2013	31 December 2012
Debt securities	11,594	11,241
Interest receivable	347	134
Deposits	7,781	2,824
Interest payable	98	—
Non-principal guaranteed wealth management products issued by the Bank	—	4,162

	Six months ended 30 June	
	2013	2012
Interest income	213	214
Interest expense	(98)	(8)

Interest rate ranges for transactions with Huijin during the periods are as follows:

	Six months ended 30 June	
	2013 %	2012 %
Debt securities	3.14 – 4.20	3.14 – 4.20
Deposits	0.72 – 3.30	0.44 – 1.31

(Amounts in millions of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS (continued)

(2) The Group and Huijin and companies under Huijin (continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Corresponding balances with these banks and financial institutions were as follows:

	30 June 2013	31 December 2012
Debt securities	642,047	554,401
Deposits with banks and other financial institutions	25,893	51,750
Placements with banks and other financial institutions	30,109	16,866
Derivative financial assets	463	344
Financial assets held under resale agreements	58,717	15,929
Deposits from banks and other financial institutions	32,554	48,808
Placements from banks and other financial institutions	47,024	3,638
Derivative financial liabilities	226	312
Financial assets sold under repurchase agreements	13,000	4,000

(3) 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 authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that transactions with these entities to be 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 authorities, agencies, affiliates and other State controlled entities.

(Amounts in millions of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS (continued)

(4) The Group and its associates and joint ventures

The Group has entered into transactions with its associates and joint ventures, the entities that it does not control but exercises significant influence or have joint control. Transactions are made at arm's length and in the ordinary course of business.

Management considers that transactions between the Group and its associates and joint ventures are not significant.

(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 during the six months ended 30 June 2013 and 2012, the Group had no material transactions with key management personnel.

(6) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	30 June 2013	31 December 2012
Deposits from Annuity Scheme	16,406	16,207
Interest payable	30	30
Non-principal guaranteed wealth management products issued by the Bank	3,498	7,691

	Six months ended 30 June	
	2013	2012
Interest expense	456	222
Net loss on financial instruments designated at fair value through profit or loss	—	36

(Amounts in millions of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS (continued)

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

Interest rate range during the periods is as follows:

	Six months ended 30 June	
	2013	**2012**
	%	**%**
Deposits from Annuity Scheme	5.30 – 6.20	0.44 – 6.20

47. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2013, provisions of RMB958 million (31 December 2012: RMB1,130 million) were made based on court judgments or 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

	30 June 2013	**31 December 2012**
Contracted but not provided for	6,337	7,957
Authorized but not contracted for	1,464	1,148
Total	**7,801**	**9,105**

Credit commitments

	30 June 2013	**31 December 2012**
Loan commitments		
— With an original maturity of less than 1 year	40,507	48,173
— With an original maturity of 1 year or above	394,691	515,768
Subtotal	435,198	563,941
Acceptances	440,689	397,311
Credit card commitments	210,409	199,555
Guarantee and letters of guarantee	188,278	181,872
Letters of credit	164,378	146,712
Total	**1,438,952**	**1,489,391**

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 or through the issuance of letters of credit, guarantee and letters of guarantee or acceptances.

(Amounts in millions of Renminbi, unless otherwise stated)

47. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Credit risk weighted amount for credit commitments

	30 June 2013
Credit commitments	636,646

As at 30 June 2013, the credit risk weighted amount for credit commitments was calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" ("Regulation") issued by the CBRC which was effective from 1 January 2013 and are dependent on, among other factors, the creditworthiness of counterparty and maturity characteristics.

As at 31 December 2012, the credit risk weighted amount for credit commitments was RMB710,782 million as calculated in accordance with the former "Measures for the Management of Capital Adequacy Ratio of Commercial Banks" issued by the CBRC which was superseded by the Regulation described above from 1 January 2013.

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:

	30 June 2013	31 December 2012
Within 1 year	3,199	3,107
1 to 2 years	2,786	2,700
2 to 3 years	2,353	2,295
3 to 5 years	2,704	2,834
Above 5 years	3,090	3,235
Total	**14,132**	**14,171**

In the current interim period, operating lease expense recognized as operating expense by the Group were RMB1,851 million (six months ended 30 June 2012: RMB1,471 million).

(Amounts in millions of Renminbi, unless otherwise stated)

47. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Finance lease commitments

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

	30 June 2013	31 December 2012
Contractual amount	1,228	756

As at 30 June 2013, included in the Group's loans and advances are finance lease receivables of RMB30,556 million (31 December 2012: RMB22,924 million), among which, majority of the remaining maturity was within 1 to 5 years.

Collateral

Assets pledged

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

	30 June 2013	31 December 2012
Debt securities	14,237	7,416
Bills	28	214
Total	**14,265**	**7,630**

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2013 was RMB14,223 million (31 December 2012: RMB7,631 million) as set out in Note 35. 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 2013 amounted to RMB1,027 million in total (31 December 2012: RMB6,210 million).

47. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Collateral (continued)

Collateral accepted

The Group received debt securities or cash as collateral in connection with the purchase of assets under resale agreements. Certain of these debt securities can be resold or re-pledged. The Group has not accepted any debt security or collateral that can be resold or re-pledged as at 30 June 2013 (31 December 2012: RMB4,720 million). The Group has not resold or re-pledged any collateral accepted as at 30 June 2013, (31 December 2012: RMB81 million) up to the date of issuance of these condensed consolidated interim financial statements.

Redemption commitment for government bonds

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 honor such redemption requests. The redemption price is calculated as the par value of the treasury bond plus unpaid interest in accordance with the terms of the related early redemption arrangement.

As at 30 June 2013, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB38,251 million (31 December 2012: RMB41,314 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.

48. TRANSFER OF FINANCIAL ASSETS

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as available-for-sale financial assets with a carrying amount of RMB14,120 million (31 December 2012: RMB7,416 million), classified as held to maturity investments financial assets with a carrying amount of RMB117 million (31 December 2012: none) and bills classified as loans and advances to customers with a carrying amount of RMB28 million as at 30 June 2013 (31 December 2012: RMB214 million), which are subject to the simultaneous agreements establishing commitments to repurchase at specified future dates and prices. The proceeds from selling such debt securities and bills, totaling RMB14,223 million (31 December 2012: RMB7,631 million), are presented as "financial assets sold under repurchase agreements". As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties from the date of repurchase agreement to the specified future dates for repurchase (the "covered period"). Therefore, the Group has not derecognized them from the condensed consolidated interim financial statements but these assets are regarded as "collateral" for the secured lending from the counterparties. The counterparty's recourse is not limited to the transferred assets.

49. FINANCIAL RISK MANAGEMENT

Overview

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

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group and intended to address the Group's information needs in this area. 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 foreign exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving its 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 the significant risks to which the Group is exposed.

49.1 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 unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from loans and receivables, treasury operations and off-balance sheet related credit risk exposures.

The Group performs standardized credit management procedures, including credit due diligence 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.

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Credit risk management (continued)

Apart from the credit risk exposures on credit-related assets, deposits and placements 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 related to the impairment assessment

In accordance with the "Guideline for Loan Credit Risk Classification" issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one 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 primary factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses is assessed collectively or individually, as appropriate.

The five categories of loan classification into which the Group classifies its loans and advances to customers are set out below:

Normal	Borrowers can honor 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 operating 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 operating revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Impairment assessment (continued)

Key factors related to the impairment assessment (continued)

Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized 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.

With respect to investments in debt securities other than held for trading or designated at fair value through profit or loss, the Group assesses for indicators of impairment at the end of each reporting period based on objective evidence and performs impairment assessment individually or collectively, as appropriate. For available-for-sale equity investments, which are measured at fair value, the Group recognizes impairment when there has been a prolonged or significant decline in the fair value of an equity security below its cost. The amount of the impairment allowance for available-for-sale investments is equal to the existing unrealized loss, which is recorded as a charge in the income statement.

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 primarily arises from credit and treasury operations; as well as off-balance sheet items such as loan commitments, credit card commitments, acceptances, guarantee and letters of guarantee and letters of credit, as credit risks arising from these items are similar to those associated with loans and receivables.

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 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:

	30 June 2013	31 December 2012
Balances with central banks	2,472,622	2,520,015
Deposits with banks and other financial institutions	502,704	262,233
Placements with banks and other financial institutions	250,597	223,380
Financial assets held for trading	34,533	23,189
Financial assets designated at fair value through profit or loss	212,981	154,582
Derivative financial assets	7,851	4,825
Financial assets held under resale agreements	785,652	814,620
Loans and advances to customers	6,647,413	6,153,411
Available-for-sale financial assets	851,468	752,158
Held-to-maturity investments	1,381,121	1,308,796
Debt instruments classified as receivables	613,508	608,594
Other financial assets	140,354	72,624
Subtotal	13,900,804	12,898,427
Credit commitments	1,438,952	1,489,391
Total	**15,339,756**	**14,387,818**

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

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

The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is 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 retail customers are generally collateralized by mortgages over residential properties;

— other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— financial assets held under resale agreements transactions are primarily collateralized by bonds, bills, loans and advance, and other 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)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 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 analyzed as follows:

	30 June 2013		31 December 2012	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Head Office	126,147	2.5	105,962	2.3
Yangtze River Delta	1,215,129	24.3	1,183,265	25.0
Pearl River Delta	622,161	12.4	590,500	12.5
Bohai Rim	948,638	18.9	901,959	19.1
Central China	583,447	11.6	555,394	11.8
Western China	1,066,513	21.3	1,017,652	21.5
Northeastern China	190,533	3.8	180,858	3.8
Overseas and Others	259,499	5.2	189,847	4.0
Subtotal	5,012,067	100.0	4,725,437	100.0
Personal loans and advances				
Head Office	100	—	122	—
Yangtze River Delta	521,417	27.0	480,535	28.0
Pearl River Delta	364,187	18.8	320,387	18.8
Bohai Rim	263,844	13.6	229,884	13.5
Central China	265,160	13.7	228,436	13.4
Western China	442,160	22.9	385,225	22.6
Northeastern China	75,401	3.9	62,734	3.7
Overseas and Others	1,784	0.1	639	—
Subtotal	1,934,053	100.0	1,707,962	100.0
Gross loans and advances to customers	**6,946,120**		**6,433,399**	

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

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

	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,460,142	29.2	1,405,790	29.7
Transportation, logistics and postal services	595,742	11.9	522,934	11.1
Retail and wholesale	577,576	11.5	516,768	10.9
Real estate	517,555	10.3	475,016	10.1
Production and supply of power, heat, gas and water	483,951	9.7	480,225	10.2
Leasing and commercial services	317,677	6.3	291,282	6.2
Mining	214,120	4.3	194,097	4.1
Water, environment and public utilities management	207,245	4.1	200,482	4.2
Construction	206,156	4.1	205,781	4.4
Information transmission software and information technology services	24,115	0.5	20,849	0.4
Others	407,788	8.1	412,213	8.7
Subtotal	5,012,067	100.0	4,725,437	100.0
Personal loans and advances				
Residential mortgage	1,189,359	61.4	1,051,035	61.5
Personal business	237,606	12.3	200,715	11.8
Personal consumption	194,868	10.1	170,506	10.0
Credit card overdraft	163,840	8.5	149,138	8.7
Others	148,380	7.7	136,568	8.0
Subtotal	1,934,053	100.0	1,707,962	100.0
Gross loans and advances to customers	**6,946,120**		**6,433,399**	

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 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 analyzed as follows:*

	30 June 2013			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	641,946	277,410	524,646	1,444,002
Guaranteed loans	786,047	258,046	295,795	1,339,888
Loans secured by collateral	1,095,145	592,174	1,582,983	3,270,302
Pledged loans	474,998	47,148	369,782	891,928
Total	**2,998,136**	**1,174,778**	**2,773,206**	**6,946,120**

	31 December 2012			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	622,696	290,615	479,296	1,392,607
Guaranteed loans	758,074	251,402	282,276	1,291,752
Loans secured by collateral	1,034,543	590,671	1,373,445	2,998,659
Pledged loans	363,059	48,239	339,083	750,381
Total	**2,778,372**	**1,180,927**	**2,474,100**	**6,433,399**

(4) *Past due loans*

	30 June 2013				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	6,377	3,421	1,087	472	11,357
Guaranteed loans	6,587	6,855	4,789	7,862	26,093
Loans secured by collateral	18,054	11,786	10,288	11,992	52,120
Pledged loans	671	981	877	2,402	4,931
Total	**31,689**	**23,043**	**17,041**	**22,728**	**94,501**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

(4) Past due loans (continued)

	31 December 2012				
	Up to 90 days	**91–360 days**	**361 days to 3 years**	**Over 3 years**	**Total**
Unsecured loans	5,564	1,635	1,208	559	8,966
Guaranteed loans	6,595	5,881	5,134	7,653	25,263
Loans secured by collateral	18,374	11,092	6,926	13,319	49,711
Pledged loans	160	684	687	2,434	3,965
Total	**30,693**	**19,292**	**13,955**	**23,965**	**87,905**

When either loan principal or interest is 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

		30 June 2013	**31 December 2012**
Neither past due nor impaired	(i)	6,834,365	6,322,649
Past due but not impaired	(ii)	25,058	24,902
Impaired	(iii)	86,697	85,848
Subtotal		6,946,120	6,433,399
Allowance for impairment losses of loans and advances to customers		(298,707)	(279,988)
Loans and advances to customers		6,647,413	6,153,411

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 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

	30 June 2013		
	Normal	Special mention	Total
Corporate loans and advances	4,678,290	261,056	4,939,346
Personal loans and advances	1,892,472	2,547	1,895,019
Total	**6,570,762**	**263,603**	**6,834,365**

	31 December 2012		
	Normal	Special mention	Total
Corporate loans and advances	4,384,031	268,360	4,652,391
Personal loans and advances	1,667,073	3,185	1,670,258
Total	**6,051,104**	**271,545**	**6,322,649**

(ii) Loans and advances past due but not impaired

	30 June 2013				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	227	—	15	242	114
Personal loans and advances	17,975	4,299	2,542	24,816	21,316
Total	**18,202**	**4,299**	**2,557**	**25,058**	**21,430**

	31 December 2012				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	158	1	—	159	94
Personal loans and advances	18,389	4,211	2,143	24,743	28,897
Total	**18,547**	**4,212**	**2,143**	**24,902**	**28,991**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

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

(iii) Impaired loans and advances

	30 June 2013		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	72,481	(50,844)	21,637
Collectively assessed	14,216	(9,837)	4,379
Total	**86,697**	**(60,681)**	**26,016**

	31 December 2012		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	72,886	(52,242)	20,644
Collectively assessed	12,962	(8,462)	4,500
Total	**85,848**	**(60,704)**	**25,144**

Including:

	30 June 2013	31 December 2012
Individually assessed and impaired	72,481	72,886
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.04%	1.13%
Fair value of collateral	6,722	6,350

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 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 analyzed as follows:

	30 June 2013		31 December 2012	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	3	—	2	—
Yangtze River Delta	19,020	21.9	19,734	23.0
Pearl River Delta	10,948	12.7	11,645	13.6
Bohai Rim	15,068	17.4	14,397	16.8
Central China	14,604	16.8	11,865	13.8
Western China	21,689	25.0	23,431	27.3
Northeastern China	5,101	5.9	4,564	5.3
Overseas and Others	264	0.3	210	0.2
Total	**86,697**	**100.0**	**85,848**	**100.0**

(6) *Rescheduled loans and advances*

Rescheduled loans and advances arise from renegotiating terms of contract, and such loans and advances require continuous monitoring. Rescheduled loans and advances as at 30 June 2013 amounted to RMB13,796 million (31 December 2012: RMB11,592 million).

(7) *Assets foreclosed under credit enhancement arrangement*

Such assets are included in Other Assets.

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments

Credit quality of debt instruments

The table below represents the carrying value and accumulated impairment charges of held-to-maturity investments and debt instruments classified as receivables:

		30 June 2013	31 December 2012
Neither past due nor impaired	(1)	1,995,268	1,917,765
Impaired	(2)	53	53
Subtotal		1,995,321	1,917,818
Individually assessed		(51)	(51)
Collectively assessed		(641)	(377)
Allowance for impairment losses		(692)	(428)
Debt instruments		**1,994,629**	**1,917,390**

(1) Debt instruments neither past due nor impaired

	30 June 2013				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Government bonds	6,716	184,569	518,146	—	709,431
Public sector and quasi-government bonds	20,095	409,640	713,923	66,402	1,210,060
Financial institution bonds	16,561	46,085	32,246	26,360	121,252
Corporate bonds	27,496	207,545	117,164	26,159	378,364
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	392,883	392,883
Certificate treasury bonds and savings treasury bonds	—	—	—	7,794	7,794
Interests in trust products	121,785	—	—	—	121,785
Other debt instruments	50,793	—	—	—	50,793
Others	4,068	—	—	891	4,959
Total	**247,514**	**847,839**	**1,381,479**	**613,789**	**3,090,621**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(1) Debt instruments neither past due nor impaired (continued)

	31 December 2012				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Government bonds	4,165	194,742	552,192	—	751,099
Public sector and quasi-government bonds	13,181	335,265	656,045	66,316	1,070,807
Financial institution bonds	9,146	35,333	21,340	23,420	89,239
Corporate bonds	26,243	182,996	79,439	20,918	309,596
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	392,883	392,883
Certificate treasury bonds and savings treasury bonds	—	—	—	10,707	10,707
Interests in trust products	72,053	—	—	—	72,053
Other debt instruments	48,766	—	—	—	48,766
Others	4,217	—	—	1,205	5,422
Total	**177,771**	**748,336**	**1,309,016**	**608,749**	**2,843,872**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(2) Impaired debt instruments

	30 June 2013		
	Held-to-maturity investments	**Debt instruments classified as receivables**	**Total**
Corporate bonds	—	53	53
Allowance for impairment losses	—	(51)	(51)
Impaired held-to-maturity investments and debt instruments classified as receivables	**—**	**2**	**2**

	31 December 2012		
	Held-to-maturity investments	**Debt instruments classified as receivables**	**Total**
Corporate bonds	—	53	53
Allowance for impairment losses	—	(51)	(51)
Impaired held-to-maturity investments and debt instruments classified as receivables	**—**	**2**	**2**

The Group's available-for-sale debt securities were individually assessed for impairment. As at 30 June 2013, the carrying amount of the impaired available-for-sale debt securities was RMB3,629 million (31 December 2012: RMB3,822 million), among which the total impairment losses recognized for these impaired available-for-sale debt securities as at 30 June 2013 was RMB406 million (31 December 2012: RMB467 million).

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(3) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by rating as at the end of the reporting period are as follows:

	30 June 2013					
	Unrated (i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Government bonds	665,341	18,648	24,007	1,435	—	709,431
Public sector and quasi-government bonds	1,145,846	62,366	1,226	526	28	1,209,992
Financial institution bonds	48,440	39,720	12,619	19,217	4,552	124,548
Corporate bonds (ii)	40,366	274,288	15,435	43,628	4,409	378,126
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	392,883	—	—	—	—	392,883
Certificate treasury bonds and savings treasury bonds	7,794	—	—	—	—	7,794
Interests in trust products	121,785	—	—	—	—	121,785
Other debt instruments	50,793	—	—	—	—	50,793
Others	4,959	—	—	—	—	4,959
Total	**2,571,507**	**395,022**	**53,287**	**64,806**	**8,989**	**3,093,611**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(3) Debt instruments analyzed by credit rating (continued)

	31 December 2012					
	Unrated (i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Government bonds	745,353	4,834	912	—	—	751,099
Public sector and quasi-government bonds	1,009,567	54,367	6,906	—	—	1,070,840
Financial institution bonds	30,205	31,199	11,782	16,524	3,030	92,740
Corporate bonds (ii)	30,893	248,930	21,732	2,370	5,584	309,509
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	392,883	—	—	—	—	392,883
Certificate treasury bonds and savings treasury bonds	10,707	—	—	—	—	10,707
Interests in trust products	72,053	—	—	—	—	72,053
Other debt instruments	48,766	—	—	—	—	48,766
Others	5,422	—	—	—	—	5,422
Total	**2,439,149**	**339,330**	**41,332**	**18,894**	**8,614**	**2,847,319**

(i) Unrated debt investments held by the Group are bonds issued primarily by policy banks and government.

(ii) The ratings of securities with original maturity within 9 months included in corporate bonds above are based on issuer rating for this credit risk analysis.

49.2 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 through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate current asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

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

	30 June 2013							
	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	2,364,679	187,226	—	—	—	—	—	2,551,905
Deposits with banks and other financial institutions	—	44,323	45,463	132,832	132,278	147,808	—	502,704
Placements with banks and other financial institutions	—	—	139,921	34,410	60,841	15,425	—	250,597
Financial assets held for trading	205	—	4,913	1,568	10,405	12,450	4,992	34,533
Financial assets designated at fair value through profit or loss	734	—	26,057	45,530	96,919	44,649	31	213,920
Derivative financial assets	—	—	1,746	964	3,701	918	522	7,851
Financial assets held under resale agreements	—	—	317,126	219,651	248,875	—	—	785,652
Loans and advances to customers	20,085	—	415,176	649,742	2,139,422	1,397,053	2,025,935	6,647,413
Available-for-sale financial assets	2,992	—	24,313	76,242	147,687	408,494	194,732	854,460
Held-to-maturity investments	—	—	38,369	29,538	106,169	695,808	511,237	1,381,121
Debt instruments classified as receivables	2	—	630	577	36,860	64,984	510,455	613,508
Other financial assets	2,681	56,927	19,774	23,640	36,315	768	249	140,354
Total financial assets	**2,391,378**	**288,476**	**1,033,488**	**1,214,694**	**3,019,472**	**2,788,357**	**3,248,153**	**13,984,018**
Borrowings from central bank	—	(30)	—	(10)	(50)	—	—	(90)
Deposits from banks and other financial institutions	—	(287,980)	(25,487)	(49,976)	(20,604)	(395,862)	(495)	(780,404)
Placements from banks and other financial institutions	—	—	(90,066)	(78,416)	(59,113)	(1,534)	—	(229,129)
Financial liabilities held for trading	—	(14,523)	—	—	—	—	—	(14,523)
Financial liabilities designated at fair value through profit or loss	—	—	(103,680)	(86,556)	(80,817)	(13,878)	(34)	(284,965)
Derivative financial liabilities	—	—	(1,258)	(954)	(1,813)	(1,089)	(843)	(5,957)
Financial assets sold under repurchase agreements	—	—	(14,210)	(13)	—	—	—	(14,223)
Due to customers	—	(6,647,755)	(565,703)	(751,291)	(2,431,037)	(1,090,383)	(1,014)	(11,487,183)
Bonds issued	—	—	—	—	(24,995)	(1,000)	(124,898)	(150,893)
Other financial liabilities	(416)	(93,477)	(16,193)	(70,999)	(108,814)	(68,029)	(20,043)	(377,971)
Total financial liabilities	**(416)**	**(7,043,765)**	**(816,597)**	**(1,038,215)**	**(2,727,243)**	**(1,571,775)**	**(147,327)**	**(13,345,338)**
Net position	**2,390,962**	**(6,755,289)**	**216,891**	**176,479**	**292,229**	**1,216,582**	**3,100,826**	**638,680**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

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

	31 December 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	2,219,183	251,428	—	—	—	142,500	—	2,613,111
Deposits with banks and other financial institutions	—	75,112	19,780	69,357	93,045	4,439	500	262,233
Placements with banks and other financial institutions	—	—	99,096	39,461	76,023	8,800	—	223,380
Financial assets held for trading	—	—	699	1,043	17,028	3,751	668	23,189
Financial assets designated at fair value through profit or loss	784	—	10,107	27,955	75,813	40,673	34	155,366
Derivative financial assets	—	—	888	698	1,638	1,094	507	4,825
Financial assets held under resale agreements	—	—	466,032	161,914	186,674	—	—	814,620
Loans and advances to customers	14,764	—	390,879	583,663	2,077,560	1,266,564	1,819,981	6,153,411
Available-for-sale financial assets	3,348	—	20,292	29,756	196,179	336,182	169,746	755,503
Held-to-maturity investments	—	—	5,515	20,796	163,072	673,451	445,962	1,308,796
Debt instruments classified as receivables	407	—	8	2,320	5,548	92,422	507,889	608,594
Other financial assets	3,286	6,948	13,156	19,939	27,046	703	1,546	72,624
Total financial assets	**2,241,772**	**333,488**	**1,026,452**	**956,902**	**2,919,626**	**2,570,579**	**2,946,833**	**12,995,652**
Borrowings from central bank	—	(30)	—	—	(36)	—	—	(66)
Deposits from banks and other financial institutions	—	(276,288)	(46,395)	(23,648)	(70,227)	(367,744)	(50)	(784,352)
Placements from banks and other financial institutions	—	—	(36,291)	(52,383)	(60,868)	(95)	(84)	(149,721)
Financial liabilities held for trading	—	(3,674)	—	—	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	—	—	(62,066)	(41,329)	(42,071)	(9,570)	(35)	(155,071)
Derivative financial liabilities	—	—	(574)	(744)	(1,260)	(1,916)	(1,020)	(5,514)
Financial assets sold under repurchase agreements	—	—	(5,467)	(2,020)	(144)	—	—	(7,631)
Due to customers	—	(6,564,313)	(434,470)	(843,281)	(1,966,871)	(1,053,998)	(2)	(10,862,935)
Bonds issued	—	—	—	—	—	(25,993)	(124,892)	(150,885)
Other financial liabilities	—	(86,282)	(21,989)	(41,117)	(65,005)	(58,216)	(275)	(272,884)
Total financial liabilities	**—**	**(6,930,587)**	**(607,252)**	**(1,004,522)**	**(2,206,482)**	**(1,517,532)**	**(126,358)**	**(12,392,733)**
Net position	**2,241,772**	**(6,597,099)**	**419,200**	**(47,620)**	**713,144**	**1,053,047**	**2,820,475**	**602,919**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	30 June 2013							
	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	2,364,679	187,226	—	1,020	—	—	—	2,552,925
Deposits with banks and other financial institutions	—	44,335	46,054	135,555	141,948	156,621	—	524,513
Placements with banks and other institutions	—	—	140,404	35,333	62,609	16,102	—	254,448
Financial assets held for trading	205	—	4,960	1,668	11,268	14,189	5,434	37,724
Financial assets designated at fair value through profit or loss	734	—	26,928	48,116	104,600	63,170	41	243,589
Financial assets held under resale agreements	—	—	319,007	223,469	253,895	—	—	796,371
Loans and advances to customers	63,585	—	457,632	732,933	2,451,915	2,130,544	3,208,390	9,044,999
Available-for-sale financial assets	2,992	—	26,375	83,033	170,490	478,740	226,137	987,767
Held-to-maturity investments	—	—	43,027	39,224	143,204	841,688	618,963	1,686,106
Debt instruments classified as receivables	2	—	799	1,051	56,679	136,186	603,195	797,912
Other financial assets	602	54,578	1,192	373	1,599	4,292	—	62,636
Total non-derivative financial assets	**2,432,799**	**286,139**	**1,066,378**	**1,301,775**	**3,398,207**	**3,841,532**	**4,662,160**	**16,988,990**
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	(10)	(50)	—	—	(90)
Deposits from banks and other financial institutions	—	(289,860)	(25,729)	(63,810)	(22,811)	(418,229)	(747)	(821,186)
Placements from banks and other financial institutions	—	—	(90,533)	(79,163)	(60,053)	(1,637)	—	(231,386)
Financial liabilities held for trading	—	(14,523)	—	—	—	—	—	(14,523)
Financial liabilities designated at fair value through profit or loss	—	—	(103,797)	(87,143)	(84,594)	(15,975)	(35)	(291,544)
Financial assets sold under repurchase agreements	—	—	(14,238)	(13)	—	—	—	(14,251)
Due to customers	—	(6,654,265)	(577,579)	(770,963)	(2,535,303)	(1,251,332)	(1,037)	(11,790,479)
Bonds issued	—	—	—	—	(32,013)	(25,628)	(143,828)	(201,469)
Other financial liabilities	(416)	(87,034)	(4,938)	(55,029)	(55,650)	(14,698)	(20,040)	(237,805)
Total non-derivative financial liabilities	**(416)**	**(7,045,712)**	**(816,814)**	**(1,056,131)**	**(2,790,474)**	**(1,727,499)**	**(165,687)**	**(13,602,733)**
Net position	**2,432,383**	**(6,759,573)**	**249,564**	**245,644**	**607,733**	**2,114,033**	**4,496,473**	**3,386,257**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

	31 December 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	2,219,183	251,428	—	1,068	5,040	150,626	—	2,627,345
Deposits with banks and other financial institutions	—	75,112	19,999	70,506	95,518	4,443	500	266,078
Placements with banks and other institutions	—	—	99,925	40,425	77,920	9,232	—	227,502
Financial assets held for trading	—	—	702	1,077	17,724	4,284	778	24,565
Financial assets designated at fair value through profit or loss	784	—	10,293	29,052	79,384	42,668	36	162,217
Financial assets held under resale agreements	—	—	467,465	164,394	190,703	—	—	822,562
Loans and advances to customers	58,549	—	418,614	631,973	2,304,231	1,711,667	3,099,541	8,224,575
Available-for-sale financial assets	3,348	—	21,094	33,935	217,929	398,587	201,210	876,103
Held-to-maturity investments	—	—	6,960	29,862	200,914	808,016	543,188	1,588,940
Debt instruments classified as receivables	407	—	320	2,499	25,103	164,947	600,405	793,681
Other financial assets	2,495	6,948	283	688	462	518	1,237	12,631
Total non-derivative financial assets	**2,284,766**	**333,488**	**1,045,655**	**1,005,479**	**3,214,928**	**3,294,988**	**4,446,895**	**15,626,199**
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	(36)	—	—	(66)
Deposits from banks and other financial institutions	—	(276,325)	(48,792)	(31,556)	(78,855)	(421,854)	(64)	(857,446)
Placements from banks and other financial institutions	—	—	(36,362)	(52,579)	(61,279)	(99)	(88)	(150,407)
Financial liabilities held for trading	—	(3,674)	—	—	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	—	—	(62,245)	(41,885)	(43,965)	(10,162)	(47)	(158,304)
Financial assets sold under repurchase agreements	—	—	(5,480)	(2,039)	(145)	—	—	(7,664)
Due to customers	—	(6,570,860)	(445,428)	(870,454)	(2,051,682)	(1,304,297)	(2)	(11,242,723)
Bonds issued	—	—	—	—	(7,042)	(51,509)	(150,075)	(208,626)
Other financial liabilities	—	(81,805)	(9,329)	(14,595)	(19,895)	(14,089)	(288)	(140,001)
Total non-derivative financial liabilities	**—**	**(6,932,694)**	**(607,636)**	**(1,013,108)**	**(2,262,899)**	**(1,802,010)**	**(150,564)**	**(12,768,911)**
Net position	**2,284,766**	**(6,599,206)**	**438,019**	**(7,629)**	**952,029**	**1,492,978**	**4,296,331**	**2,857,288**

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

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Derivative cash flows

Derivatives settled on a net basis

The fair values of the Group's derivatives that will be settled on a net basis are primarily related to changes in interest rates. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	30 June 2013					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Interest rate derivatives	3	3	(333)	(169)	109	(387)

	31 December 2012					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Interest rate derivatives	4	(84)	(229)	(356)	(27)	(692)

Derivatives settled on a gross basis

The fair values of the Group's derivatives that will be settled on a gross basis are primarily related to changes in foreign exchange rates and precious metal prices. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	30 June 2013					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Foreign exchange rate and precious metal financial derivatives						
— Cash inflow	167,942	104,240	236,364	45,738	8,017	562,301
— Cash outflow	(167,800)	(104,458)	(235,179)	(43,234)	(7,467)	(558,138)
Total	**142**	**(218)**	**1,185**	**2,504**	**550**	**4,163**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Derivative cash flows (continued)

Derivatives settled on a gross basis (continued)

	31 December 2012					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Foreign exchange rate and precious metal financial derivatives						
— Cash inflow	99,558	104,039	209,501	11,453	255	424,806
— Cash outflow	(99,351)	(103,781)	(209,391)	(11,905)	(511)	(424,939)
Total	**207**	**258**	**110**	**(452)**	**(256)**	**(133)**

Credit commitments

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

	30 June 2013			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	88,654	153,281	193,263	435,198
Acceptances	440,689	—	—	440,689
Credit card commitments	210,409	—	—	210,409
Guarantee and letters of guarantee	57,001	89,266	42,011	188,278
Letters of credit	159,607	4,360	411	164,378
Total	**956,360**	**246,907**	**235,685**	**1,438,952**

	31 December 2012			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	352,290	59,204	152,447	563,941
Acceptances	397,311	—	—	397,311
Credit card commitments	199,555	—	—	199,555
Guarantee and letters of guarantee	66,525	73,122	42,225	181,872
Letters of credit	142,429	3,823	460	146,712
Total	**1,158,110**	**136,149**	**195,132**	**1,489,391**

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer transaction flow, in both cases related to on- and off-balance sheet activity.

The Group is primarily exposed to interest rate risk through its lending, fixed-income and funding activities. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and repricing dates of interest-earning assets and interest-bearing liabilities. As discussed further below, interest rate risk is actively managed.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group has determined that the levels of market risk related to changes in commodity and equity prices, with respect to the related exposures in its trading and investment portfolios, is immaterial.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates all financial instruments and commodities, both on- and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading, including all derivatives instruments. Any other financial instruments are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

The Group has formulated policies, which are subject to review annually or as circumstances otherwise dictate, to manage market risk. Further, in this regard, the Group's market risk management is focused on movements in domestic and global financial markets, as well as the composition of the trading book and management's trading strategies, within approved limits. Moreover, the Group has implemented more specific policies for financial instruments, closely monitoring the exposure to specific issuers and counterparties, as well as the tenor of individual positions and trading strategies. The foundation of the Group's limit and risk monitoring system is based on VaR, which is used consistently to monitor all classes of financial instruments in the trading book.

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Market Risk Management for Trading Book (continued)

The Group has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading books, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Group selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Group verified the accuracy and reliability of market risk measurements through data analysis, parallel modeling and back-testing of the market risk measurements.

VaR Analysis for the Trading Book

	Six months ended 30 June 2013			
	At the end of the period	Average	Maximum	Minimum
Interest rate risk	43	29	43	17
Exchange rate risk	14	59	122	8
Commodity risk	3	20	54	2
Overall VaR	55	81	151	36

	Six months ended 30 June 2012			
	At the end of the period	Average	Maximum	Minimum
Interest rate risk	15	16	20	12
Exchange rate risk	19	52	103	17
Commodity risk	54	34	70	11
Overall VaR	41	55	116	27

(1) The Group commenced calculating VaR for the Group's trading book (excluding trading position for foreign exchange settlement business) in 2012;

(2) VaR related to precious metals is recognized as a component of foreign exchange rate risk.

The Group conducts stress testing for the trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and precious metal transactions. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

The interest rate risk existing in the banking book broadly relates to the mismatch of the maturity or re-pricing dates of interest rate-sensitive financial assets and financial liabilities, as well as inconsistencies in the change of the benchmark interest rates on which most domestic interest rate-sensitive financial assets and financial liabilities are based.

The Group closely monitors changes in the macro-economic environment and the monetary policies of the PBOC, enabling it to timely and flexibly adjust its pricing strategy. The Group establishes comprehensive interest rate risk management policies and protocols and has improved the consistency of interest rate risk measurement, monitoring, analysis and management of interest rate risk across the Group.

The Group regularly measures and analyzes the Group's interest rate risk by conducting gap analysis, sensitivity analysis, scenario analysis and stress testing to manage interest rate risk within established limits.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities. Foreign exchange rate risk consists of trading risk, which can be readily hedged, and from structural foreign currency mis-matches in the balance sheet (the "structural foreign exchange rate risk").

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities, and timely remits foreign exchange profits from overseas operations to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the character of the underlying instruments or transactions. This distinction improves, among other things, exposure limit monitoring, enforcement of stop-loss limit, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits more closely to its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Foreign exchange rate risk

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

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

	30 June 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,538,677	11,064	1,635	529	2,551,905
Deposits with banks and other financial institutions	462,591	24,206	9,339	6,568	502,704
Placements with banks and other financial institutions	196,640	47,078	5,102	1,777	250,597
Financial assets held for trading	34,515	18	—	—	34,533
Financial assets designated at fair value through profit or loss	193,645	10,084	10,191	—	213,920
Derivative financial assets	1,475	3,230	2,524	622	7,851
Financial assets held under resale agreements	785,652	—	—	—	785,652
Loans and advances to customers	6,259,027	346,047	31,986	10,353	6,647,413
Available-for-sale financial assets	803,845	42,193	3,061	5,361	854,460
Held-to-maturity investments	1,378,773	1,997	141	210	1,381,121
Debt instruments classified as receivables	613,108	—	398	2	613,508
Other financial assets	135,320	3,175	1,702	157	140,354
Total financial assets	**13,403,268**	**489,092**	**66,079**	**25,579**	**13,984,018**
Borrowings from central bank	(90)	—	—	—	(90)
Deposits from banks and other financial institutions	(633,413)	(144,800)	(1,079)	(1,112)	(780,404)
Placements from banks and other financial institutions	(95,741)	(106,194)	(11,821)	(15,373)	(229,129)
Financial liabilities held for trading	(14,523)	—	—	—	(14,523)
Financial liabilities designated at fair value through profit or loss	(284,318)	(630)	—	(17)	(284,965)
Derivative financial liabilities	(1,229)	(2,648)	(1,911)	(169)	(5,957)
Financial assets sold under repurchase agreements	(13,127)	(1,096)	—	—	(14,223)
Due to customers	(11,277,223)	(151,102)	(38,947)	(19,911)	(11,487,183)
Bonds issued	(150,893)	—	—	—	(150,893)
Other financial liabilities	(329,342)	(31,708)	(15,958)	(963)	(377,971)
Total financial liabilities	**(12,799,899)**	**(438,178)**	**(69,716)**	**(37,545)**	**(13,345,338)**
Net on-balance sheet position	603,369	50,914	(3,637)	(11,966)	638,680
Net notional amount of derivatives	(27,443)	5,760	9,984	17,178	5,479
Credit commitments	1,251,884	144,983	19,809	22,276	1,438,952

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Foreign exchange rate risk (continued)

	31 December 2012				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,600,641	10,808	1,082	580	2,613,111
Deposits with banks and other financial institutions	190,257	42,050	12,644	17,282	262,233
Placements with banks and other financial institutions	177,547	44,888	529	416	223,380
Financial assets held for trading	23,147	42	—	—	23,189
Financial assets designated at fair value through profit or loss	138,200	7,641	9,422	103	155,366
Derivative financial assets	2,017	1,297	1,064	447	4,825
Financial assets held under resale agreements	814,620	—	—	—	814,620
Loans and advances to customers	5,818,485	303,166	25,757	6,003	6,153,411
Available-for-sale financial assets	713,066	34,596	1,896	5,945	755,503
Held-to-maturity investments	1,305,811	2,618	135	232	1,308,796
Debt instruments classified as receivables	608,187	—	405	2	608,594
Other financial assets	69,293	1,848	1,237	246	72,624
Total financial assets	**12,461,271**	**448,954**	**54,171**	**31,256**	**12,995,652**
Borrowings from central bank	(66)	—	—	—	(66)
Deposits from banks and other financial institutions	(597,957)	(183,054)	(1,787)	(1,554)	(784,352)
Placements from banks and other financial institutions	(52,846)	(60,904)	(17,569)	(18,402)	(149,721)
Financial liabilities held for trading	(3,674)	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	(154,266)	(671)	(9)	(125)	(155,071)
Derivative financial liabilities	(1,781)	(1,874)	(1,246)	(613)	(5,514)
Financial assets sold under repurchase agreements	(7,631)	—	—	—	(7,631)
Due to customers	(10,671,998)	(146,899)	(21,561)	(22,477)	(10,862,935)
Bonds issued	(150,885)	—	—	—	(150,885)
Other financial liabilities	(230,159)	(19,367)	(22,281)	(1,077)	(272,884)
Total financial liabilities	**(11,871,263)**	**(412,769)**	**(64,453)**	**(44,248)**	**(12,392,733)**
Net on-balance sheet position	590,008	36,185	(10,282)	(12,992)	602,919
Net notional amount of derivatives	(21,877)	(3,800)	13,280	16,557	4,160
Credit commitments	1,331,062	125,146	17,122	16,061	1,489,391

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Foreign exchange rate risk (continued)

The table below indicates the potential effect on profit before tax arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities on the balance sheet.

	Profit before tax	
	30 June 2013	31 December 2012
5% appreciation	(1,164)	(349)
5% depreciation	1,164	349

The effect on profit before tax is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

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 primarily 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 as at 30 June 2013, and the floor for RMB loan rates has been eliminated from 20 July 2013.

The Group manages its interest rate risk by:

— Regularly monitoring the macro-economic factors that potentially impact the PBOC benchmark interest rates;

— Optimizing the management over the differences in timing 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 where appropriate.

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Interest rate risk (continued)

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

	30 June 2013						
	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	2,328,704	—	—	—	—	223,201	2,551,905
Deposits with banks and other financial institutions	89,786	132,832	132,278	147,808	—	—	502,704
Placements with banks and other financial institutions	140,419	34,368	60,649	15,161	—	—	250,597
Financial assets held for trading	6,729	3,856	9,879	8,940	4,924	205	34,533
Financial assets designated at fair value through profit or loss	35,148	74,370	81,982	21,655	31	734	213,920
Derivative financial assets	—	—	—	—	—	7,851	7,851
Financial assets held under resale agreements	317,126	219,651	248,875	—	—	—	785,652
Loans and advances to customers	2,352,929	1,327,986	2,695,108	86,521	184,869	—	6,647,413
Available-for-sale financial assets	59,106	113,088	187,147	317,125	175,002	2,992	854,460
Held-to-maturity investments	47,468	45,955	161,065	633,463	493,170	—	1,381,121
Debt instruments classified as receivables	630	577	46,861	54,983	510,455	2	613,508
Other financial assets	177	—	—	—	—	140,177	140,354
Total financial assets	**5,378,222**	**1,952,683**	**3,623,844**	**1,285,656**	**1,368,451**	**375,162**	**13,984,018**
Borrowings from central bank	—	(10)	(50)	—	—	(30)	(90)
Deposits from banks and other financial institutions	(313,392)	(50,190)	(20,368)	(395,862)	(495)	(97)	(780,404)
Placements from banks and other financial institutions	(90,047)	(78,853)	(58,695)	(1,534)	—	—	(229,129)
Financial liabilities held for trading	—	—	—	—	—	(14,523)	(14,523)
Financial liabilities designated at fair value through profit or loss	(103,947)	(86,355)	(80,529)	(14,100)	(34)	—	(284,965)
Derivative financial liabilities	—	—	—	—	—	(5,957)	(5,957)
Financial assets sold under repurchase agreements	(14,210)	(13)	—	—	—	—	(14,223)
Due to customers	(7,110,728)	(751,544)	(2,431,615)	(1,089,711)	(610)	(102,975)	(11,487,183)
Bonds issued	—	—	(24,995)	(1,000)	(124,898)	—	(150,893)
Other financial liabilities	(13,172)	(11,011)	(44,994)	(2,965)	(239)	(305,590)	(377,971)
Total financial liabilities	**(7,645,496)**	**(977,976)**	**(2,661,246)**	**(1,505,172)**	**(126,276)**	**(429,172)**	**(13,345,338)**
Interest rate gap	**(2,267,274)**	**974,707**	**962,598**	**(219,516)**	**1,242,175**	**(54,010)**	**638,680**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Interest rate risk (continued)

	31 December 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	2,242,787	—	—	142,500	—	227,824	2,613,111
Deposits with banks and other financial institutions	97,393	69,357	92,844	2,139	500	—	262,233
Placements with banks and other financial institutions	100,072	39,411	75,297	8,600	—	—	223,380
Financial assets held for trading	781	1,261	17,403	3,184	560	—	23,189
Financial assets designated at fair value through profit or loss	12,422	37,674	75,705	28,743	34	788	155,366
Derivative financial assets	—	—	—	—	—	4,825	4,825
Financial assets held under resale agreements	466,032	161,914	186,674	—	—	—	814,620
Loans and advances to customers	2,236,320	1,198,314	2,670,038	23,133	25,606	—	6,153,411
Available-for-sale financial assets	31,481	58,855	228,865	276,455	156,499	3,348	755,503
Held-to-maturity investments	10,953	63,043	210,542	596,088	428,170	—	1,308,796
Debt instruments classified as receivables	8	2,320	15,548	82,422	507,889	407	608,594
Other financial assets	—	—	176	—	—	72,448	72,624
Total financial assets	**5,198,249**	**1,632,149**	**3,573,092**	**1,163,264**	**1,119,258**	**309,640**	**12,995,652**
Borrowings from central bank	—	—	(36)	—	—	(30)	(66)
Deposits from banks and other financial institutions	(371,364)	(23,582)	(69,652)	(318,639)	(50)	(1,065)	(784,352)
Placements from banks and other financial institutions	(36,291)	(52,395)	(60,868)	(83)	(84)	—	(149,721)
Financial liabilities held for trading	—	—	—	—	—	(3,674)	(3,674)
Financial liabilities designated at fair value through profit or loss	(66,429)	(52,362)	(34,720)	(1,554)	—	(6)	(155,071)
Derivative financial liabilities	—	—	—	—	—	(5,514)	(5,514)
Financial assets sold under repurchase agreements	(5,467)	(2,020)	(144)	—	—	—	(7,631)
Due to customers	(6,916,464)	(840,181)	(1,945,367)	(1,023,651)	(2)	(137,270)	(10,862,935)
Bonds issued	—	—	(4,999)	(20,994)	(124,892)	—	(150,885)
Other financial liabilities	(7,594)	(19,376)	(11,776)	(2,765)	(243)	(231,130)	(272,884)
Total financial liabilities	**(7,403,609)**	**(989,916)**	**(2,127,562)**	**(1,367,686)**	**(125,271)**	**(378,689)**	**(12,392,733)**
Interest rate gap	**(2,205,360)**	**642,233**	**1,445,530**	**(204,422)**	**993,987**	**(69,049)**	**602,919**

(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Interest rate risk (continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant RMB, USD and HKD interest rate curves on the Group's net interest income and equity, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

	30 June 2013		31 December 2012	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(9,996)	(19,453)	(10,362)	(13,305)
- 100 basis points	9,996	19,453	10,362	13,966

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 financial liabilities held at the period end remains unchanged.

The sensitivity analysis on equity reflects the effect of changes in fair value of those financial instruments classified as available-for-sale financial assets held, whose fair value changes are recorded as an element of equity.

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and equity of the Group under different parallel yield curve movements, relative to their position at period-end.

49. FINANCIAL RISK MANAGEMENT (continued)

49.4 Insurance risk

The Group engages in its insurance business primarily in the Mainland China. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

50. CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

(Amounts in millions of Renminbi, unless otherwise stated)

50. CAPITAL MANAGEMENT (continued)

In 2012, the CBRC issued the "Regulation Governing Capital of Commercial Banks (Provisional)" which took effective from 1 January 2013. Upon the effectiveness of this new regulation, the existing "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", issued by the CBRC, was superseded in full.

According to the "Regulation Governing Capital of Commercial Banks (Provisional)", regulatory requirements for the Capital Adequacy Ratio of commercial banks include requirements for minimum capital, additional capital for systemically important banks, capital reserves, counter-cyclical capital and Pillar II capital. Of these, the minimum regulatory requirements for Core Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively; and systemically important banks in Mainland China are required to maintain an additional 1% of Core Tier-one Capital. At the same time, according to the CBRC's "Notice of Transitional Arrangements for the Implementation of the 'Regulation Governing Capital of Commercial Banks (Provisional)'", Core Tier-one capital reserve requirements, will be introduced gradually during the transitional period. Additionally, if there is need to provide counter-cyclical capital or regulators impose additional Pillar II capital requirements for specific banks, these requirements should be met within the specified time limits.

Capital adequacy and the utilization 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. Required information related to capital levels and utilization is filed quarterly with the CBRC.

The table below summarizes the Capital Adequacy Ratios and capital composition calculated pursuant to the "Regulation Governing Capital of Commercial Banks (Provisional)" as at 30 June 2013.

		30 June 2013
Core Tier-one Capital Adequacy Ratio	(1)	9.11%
Tier-one Capital Adequacy Ratio	(1)	9.11%
Capital Adequacy Ratio	(1)	11.81%
Core Tier-one Capital	(2)	789,871
Deductable Items from Core Tier-one Capital	(3)	(5,071)
Net Core Tier-one Capital		784,800
Additional Tier-one Capital	(4)	1
Net Tier-one Capital		784,801
Tier-two Capital	(5)	231,993
Net Capital		1,016,794
Risk-weighted Assets	(6)	8,612,951

50. CAPITAL MANAGEMENT (continued)

Pursuant to the "Regulation Governing Capital of Commercial Banks (Provisional)":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes domestic institutions, overseas institutions and affiliated financial subsidiaries that specified in the Regulation.

The Core Tier-one Capital Adequacy Ratio is calculated as Net Core Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) The Group's Core Tier-one Capital includes: ordinary share capital, the capital reserve (subject to regulatory limitations), the surplus reserve, the general reserve, retained earnings, minority interests (to the extent permitted in the Core Tier-one Capital under the Regulation), and the foreign currency translation reserve.

(3) The Group's Deductable Items from Core Tier-one Capital include: other intangible assets (excluding land-use rights), and Core Tier-One capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.

(4) The Group's Additional Tier-one Capital includes: minority interests (to the extent permitted in the Additional Tier-one Capital under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group applies a weighted approach, a standardized approach and a basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets, respectively.

The Group's Capital Adequacy Ratio and Core Capital Adequacy Ratio, measured pursuant to the "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", were 12.61% and 9.67%, respectively, as at 31 December 2012.

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

Majority of the Group's assets and liabilities in the condensed consolidated interim statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any non-recurring fair value measurements in the current interim period or for the year ended 31 December 2012.

Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

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

— discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option-type derivatives, and option pricing models are used for option-type derivatives;

— the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there are no available observable current market transactions prices for similar instruments, the quoted price from the transaction counterparty is used for the valuation, and management performs analysis on this price.

The Group has established an independent valuation process for financial assets and liabilities. The Finance Market Department is responsible for the valuation of financial assets and liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items and prepares the disclosure of the financial assets and liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented. The Risk Management Committee reviews the fair value measurements and their significant changes on a monthly basis.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation technique, input and process (continued)

During the current interim period, there was no significant change in the valuation techniques or inputs used to determine fair value measurements as compared to those used in the annual financial statements for the year ended 31 December 2012.

Fair value of financial assets and financial liabilities not measured at fair value on the condensed consolidated interim statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not presented in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial 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, deposits from banks and other financial institutions, 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.

	30 June 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	6,647,413	6,649,643	6,153,411	6,157,936
Held-to-maturity investments	1,381,121	1,374,972	1,308,796	1,301,753
Debt instruments classified as receivables	613,508	600,439	608,594	607,110
	8,642,042	8,625,054	8,070,801	8,066,799
Financial liabilities				
Due to customers	11,487,183	11,548,765	10,862,935	10,877,969
Bonds issued	150,893	149,908	150,885	149,491
	11,638,076	11,698,673	11,013,820	11,027,460

Fair value hierarchy

The following tables provide an analysis of financial assets and financial liabilities, grouped into three levels based on the extent to which inputs to valuation techniques used to measure fair value are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an 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).

(Amounts in millions of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position

	30 June 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	610	33,923	—	34,533
Financial assets designated at fair value through profit or loss				
— Debt securities	5,132	30,151	1,257	36,540
— Interest in trust products	—	—	121,785	121,785
— Other debt instruments	—	—	50,793	50,793
— Others	—	—	4,802	4,802
Subtotal	5,132	30,151	178,637	213,920
Derivative financial assets				
— Exchange rate derivatives	—	6,073	429	6,502
— Interest rate derivatives	—	896	64	960
— Precious metal contracts	—	387	—	387
— Others	—	—	2	2
Subtotal	—	7,356	495	7,851
Available-for-sale financial assets				
— Debt securities	38,630	802,918	9,920	851,468
— Equity instruments	992	—	17	1,009
— Fund investments	1,983	—	—	1,983
Subtotal	41,605	802,918	9,937	854,460
Total	**47,347**	**874,348**	**189,069**	**1,110,764**
Financial liabilities held for trading	(14,523)	—	—	(14,523)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(284,965)	(284,965)
Derivative financial liabilities				
— Exchange rate derivatives	—	(3,709)	(898)	(4,607)
— Interest rate derivatives	—	(1,110)	(237)	(1,347)
— Others	—	—	(3)	(3)
Subtotal	—	(4,819)	(1,138)	(5,957)
Total	**(14,523)**	**(4,819)**	**(286,103)**	**(305,445)**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (continued)

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	—	23,189	—	23,189
Financial assets designated at fair value through profit or loss				
— Debt securities	5,023	23,249	1,274	29,546
— Interest in trust products	—	—	72,053	72,053
— Other debt instruments	—	—	48,766	48,766
— Others	—	—	5,001	5,001
Subtotal	5,023	23,249	127,094	155,366
Derivative financial assets				
— Exchange rate derivatives	—	3,119	701	3,820
— Interest rate derivatives	—	830	95	925
— Precious metal contracts	—	80	—	80
Subtotal	—	4,029	796	4,825
Available-for-sale financial assets				
— Debt securities	21,852	724,789	5,517	752,158
— Equity instruments	437	—	224	661
— Fund investments	2,684	—	—	2,684
Subtotal	24,973	724,789	5,741	755,503
Total	**29,996**	**775,256**	**133,631**	**938,883**
Financial liabilities held for trading	(3,674)	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(155,065)	(155,065)
— Others	—	—	(6)	(6)
Subtotal	—	—	(155,071)	(155,071)
Derivative financial liabilities				
— Exchange rate derivatives	—	(2,478)	(1,459)	(3,937)
— Interest rate derivatives	—	(1,172)	(397)	(1,569)
— Precious metal contracts	—	(8)	—	(8)
Subtotal	—	(3,658)	(1,856)	(5,514)
Total	**(3,674)**	**(3,658)**	**(156,927)**	**(164,259)**

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (continued)

Substantially all financial assets and financial liabilities classified within Level 3 of the fair value hierarchy are credit assets and other financial assets and financial liabilities designated at fair value through profit or loss. Generally, these assets are the investments into which wealth management products have invested, and for which the Group has provided investors with a principal guarantee. The related liability, the wealth management product itself, is also designated at fair value through profit or loss. These designations offset the accounting mismatch.

The nature of the assets classified within Level 3 are investment products issued by domestic trust companies, whose underlying assets include credit assets, deposits with financial institutions and debt securities. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these securities in a current arm's length sale could differ from those disclosed.

There were no significant transfers between levels of the fair value hierarchy in the current interim period and for the year ended 31 December 2012.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The reconciliation of Level 3 fair value measurements of financial assets and financial liabilities presented at fair value on the condensed consolidated interim statement of financial position is as follows:

	Six months ended 30 June 2013				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Derivative financial liabilities	Financial liabilities designated at fair value through profit or loss
1 January 2013	127,094	796	5,741	(1,856)	(155,071)
Total gains or losses recognized in					
— Profit or loss	3,214	(255)	3	526	(4,349)
— Other comprehensive income	—	—	—	—	—
Purchases	286,608	—	6,469	—	—
Issues	—	—	—	—	(589,506)
Settlements	(238,279)	(46)	(2,276)	192	463,961
30 June 2013	**178,637**	**495**	**9,937**	**(1,138)**	**(284,965)**
Change in unrealized gains or losses for the period included in profit or loss for assets/liabilities held at the end of the period	1,178	(255)	—	526	(1,367)

(Amounts in millions of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The reconciliation of Level 3 fair value measurements of financial assets and financial liabilities presented at fair value on the condensed consolidated interim statement of financial position is as follows (continued):

	2012				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Derivative financial liabilities	Financial liabilities designated at fair value through profit or loss
1 January 2012	37,843	4,301	627	(6,397)	(208,057)
Total gains or losses recognized in					
— Profit or loss	4,572	(3,214)	49	4,282	(3,156)
— Other comprehensive income	—	—	5	—	—
Purchases	474,353	—	5,687	—	—
Issues	—	—	—	—	(148,022)
Settlements	(389,674)	(291)	(627)	259	204,164
31 December 2012	**127,094**	**796**	**5,741**	**(1,856)**	**(155,071)**
Change in unrealized gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	2,507	(2,991)	5	4,282	(1,050)

52 COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

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

	30 June 2013	31 December 2012
RMB current assets to RMB current liabilities	43.17%	44.75%
Foreign currency current assets to foreign currency current liabilities	99.87%	161.78%

The liquidity ratios are 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 RMB			
	USD	HKD	Other	Total
30 June 2013				
Spot assets	336,124	16,297	18,745	371,166
Spot liabilities	(301,271)	(29,067)	(18,138)	(348,476)
Forward purchases	261,238	29,889	42,442	333,569
Forward sales	(257,134)	(19,905)	(24,958)	(301,997)
Net options position	1,654	—	(305)	1,349
Net long/(short) position	40,611	(2,786)	17,786	55,611
Net structural position	**(1,152)**	**2,653**	**(380)**	**1,121**

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2012				
Spot assets	396,775	179,887	36,592	613,254
Spot liabilities	(362,191)	(177,286)	(30,513)	(569,990)
Forward purchases	201,849	3,002	26,941	231,792
Forward sales	(207,220)	(3,752)	(49,676)	(260,648)
Net options position	(723)	—	81	(642)
Net long/(short) position	28,490	1,851	(16,575)	13,766
Net structural position	**(554)**	**2,464**	**(235)**	**1,675**

3. CROSS-BORDER CLAIMS

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. CROSS-BORDER CLAIMS (continued)

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 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 instruments classified as receivables.

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
30 June 2013				
Asia Pacific excluding the Mainland China	17,516	4,761	183,830	206,107
— of which attributable to Hong Kong	10,181	4,062	168,150	182,393
Europe	13,814	314	3,533	17,661
North and South America	26,415	3,444	6,806	36,665
Africa	—	73	—	73
Total	**57,745**	**8,592**	**194,169**	**260,506**

	Banks and other financial institutions	Public sector entities	Others	Total
31 December 2012				
Asia Pacific excluding the Mainland China	17,008	1,739	168,226	186,973
— of which attributable to Hong Kong	714	66	136,014	136,794
Europe	15,679	675	—	16,354
North and South America	38,777	3,688	1,976	44,441
Africa	—	75	—	75
Total	**71,464**	**6,177**	**170,202**	**247,843**

(Amounts in millions of Renminbi, unless otherwise stated)

4. OVERDUE AND RESCHEDULED ASSETS

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

	30 June 2013	31 December 2012
Overdue		
below 3 months	31,689	30,693
between 3 and 6 months	9,602	8,841
between 6 and 12 months	13,441	10,451
over 12 months	39,769	37,920
Total	**94,501**	**87,905**
Percentage of overdue loans and advances to customers in total loans		
below 3 months	0.46%	0.48%
between 3 and 6 months	0.14%	0.14%
between 6 and 12 months	0.19%	0.16%
over 12 months	0.57%	0.59%
Total	**1.36%**	**1.37%**

(2) Overdue and rescheduled loans and advances to customers

	30 June 2013	31 December 2012
Total rescheduled loans and advances to customers	13,796	11,592
Including: rescheduled loans and advances to customers overdue for not more than 3 months	10,051	8,974
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.14%	0.14%

(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 2013 and 31 December 2012 were not material.

Add: No. 69, Jianguomen Nei Avenue,
Dongcheng District, Beijing, P.R. China
Postal Code : 100005
Tel : 86-10-85108888
http: //www.abchina.com

中国农业银行
AGRICULTURAL BANK OF CHINA