中国建设银行
China Construction Bank

中國建設銀行股份有限公司

CHINA CONSTRUCTION BANK CORPORATION

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

(Stock Code: 939)

INTERIM RESULTS ANNOUNCEMENT

For the Six Months Ended 30 June 2012

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2012, prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules of Hong Kong Stock Exchange") and International Accounting Standard 34 "Interim Financial Reporting". The interim results have been reviewed by the audit committee and external auditors of the Bank.

SUMMARY OF INTERIM RESULTS 2012

The financial information set forth in this half-year report is prepared in accordance with the IFRS on a consolidated basis, and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2012**	**Six months ended 30 June 2011**	**Change (%)**	**Year ended 31 December 2011**
Current period				
Net interest income	169,692	145,706	16.46	304,572
Net fee and commission income	49,243	47,671	3.30	86,994
Operating income	227,812	197,246	15.50	399,403
Profit before tax	138,512	120,789	14.67	219,107
Net profit	106,494	92,953	14.57	169,439
Net profit attributable to equity shareholders of the Bank	106,283	92,825	14.50	169,258
Per share (in RMB)				
Basic and diluted earnings per share	0.43	0.37	16.22	0.68
Profitability indicators (%)			**Change+/(-)**	
Annualised return on average assets	1.65	1.65	-	1.47
Annualised return on average equity	24.56	24.98	(0.42)	22.51
Net interest spread	2.53	2.55	(0.02)	2.57
Net interest margin	2.71	2.66	0.05	2.70
Net fee and commission income to operating income	21.62	24.17	(2.55)	21.78
Cost-to-income ratio	32.73	31.72	1.01	36.19

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2012**	**As at 31 December 2011**	**Change (%)**	**As at 31 December 2010**
At period-end				
Net loans and advances to customers	6,876,580	6,325,194	8.72	5,526,026
Total assets	13,505,745	12,281,834	9.97	10,810,317
Deposits from customers	10,940,837	9,987,450	9.55	9,075,369
Total liabilities	12,636,340	11,465,173	10.21	10,109,412
Total equity attributable to equity shareholders of the Bank	863,526	811,141	6.46	696,792
Share capital	250,011	250,011	-	250,011
Core capital	819,734	750,660	9.20	634,683
Net capital	999,776	924,506	8.14	762,449
Risk-weighted assets	7,236,586	6,760,117	7.05	6,015,329
Per share (in RMB)				
Net assets per share	3.48	3.27	6.42	2.80
Capital adequacy indicators (%)			**Change +/(-)**	
Core capital adequacy ratio[1]	11.19	10.97	0.22	10.40
Capital adequacy ratio[1]	13.82	13.68	0.14	12.68
Total equity to total assets	6.44	6.65	(0.21)	6.48
Assets quality indicators (%)				
Non-performing loan ratio	1.00	1.09	(0.09)	1.14
Allowances to non-performing loans	262.38	241.44	20.94	221.14
Allowances to total loans	2.62	2.64	(0.02)	2.52

1. Calculated in accordance with the *Measures for Capital Adequacy Ratio Management of Commercial Banks* and related regulations promulgated by the CBRC.

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Variance
	2012	2011	(%)
Interest income	295,433	223,458	32.21
Interest expense	(125,741)	(77,752)	61.72
Net interest income	169,692	145,706	16.46
Fee and commission income	50,525	48,891	3.34
Fee and commission expense	(1,282)	(1,220)	5.08
Net fee and commission income	49,243	47,671	3.30
Net trading gain	350	669	(47.68)
Dividend income	89	61	45.90
Net gain arising from investment securities	1,814	930	95.05
Other operating income, net	6,624	2,209	199.86
Operating income	227,812	197,246	15.50
Operating expenses	(74,570)	(62,557)	19.20
	153,242	134,689	13.77
Impairment losses on:			
– Loans and advances to customers	(14,726)	(13,895)	5.98
– Others	(12)	(30)	(60.00)
Impairment losses	(14,738)	(13,925)	5.84
Share of profits less losses of associates and jointly controlled entities	8	25	(68.00)
Profit before tax	138,512	120,789	14.67
Income tax expense	(32,018)	(27,836)	15.02
Net profit	106,494	92,953	14.57

Consolidated statement of comprehensive income (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Variance
	2012	2011	(%)
Other comprehensive income:			
Gain/(loss)of available-for-sale financial assets arising during the period	7,557	(2,652)	(384.95)
Less: income tax relating to available-for-sale financial assets	(1,886)	684	(375.73)
Reclassification adjustments for gain included in profit or loss	(735)	(510)	44.12
	4,936	(2,478)	(299.19)
Exchange difference on translating foreign operations	303	(563)	(153.82)
Others	5	22	(77.27)
Other comprehensive income for the period, net of tax	5,244	(3,019)	(273.70)
Total comprehensive income for the period	111,738	89,934	24.24
Net profit attributable to:			
Equity shareholders of the Bank	106,283	92,825	14.50
Non-controlling interests	211	128	64.84
	106,494	92,953	14.57
Total comprehensive income attributable to:			
Equity shareholders of the Bank	111,513	89,858	24.10
Non-controlling interests	225	76	196.05
	111,738	89,934	24.24
Basic and diluted earnings per share (in RMB Yuan)	0.43	0.37	16.22

Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2012	31 December 2011	Variance (%)
Assets:			
Cash and deposits with central banks	2,491,592	2,379,809	4.70
Deposits with banks and non-bank financial institutions	530,577	276,752	91.72
Precious metals	30,589	22,718	34.65
Placements with banks and non-bank financial institutions	173,270	109,040	58.90
Financial assets at fair value through profit or loss	24,251	23,096	5.00
Positive fair value of derivatives	15,319	14,127	8.44
Financial assets held under resale agreements	321,055	200,045	60.49
Interest receivable	70,956	56,776	24.98
Loans and advances to customers	6,876,580	6,325,194	8.72
Available-for-sale financial assets	698,108	675,058	3.41
Held-to-maturity investments	1,806,707	1,743,569	3.62
Debt securities classified as receivables	300,119	300,027	0.03
Interests in associates and jointly controlled entities	2,305	2,069	11.41
Fixed assets	99,391	94,222	5.49
Land use rights	16,212	16,457	(1.49)
Intangible assets	1,451	1,660	(12.59)
Goodwill	1,677	1,662	0.90
Deferred tax assets	23,860	21,410	11.44
Other assets	21,726	18,143	19.75
Total assets	13,505,745	12,281,834	9.97

Consolidated statement of financial position (continued)

(Expressed in millions of RMB, unless otherwise stated)

	30 June 2012	31 December 2011	Variance (%)
Liabilities:			
Borrowings from central banks	2,788	2,220	25.59
Deposits from banks and non-bank financial institutions	1,035,051	966,229	7.12
Placements from banks and non-bank financial institutions	101,321	78,725	28.70
Financial liabilities at fair value through profit or loss	38,801	33,656	15.29
Negative fair value of derivatives	13,524	13,310	1.61
Financial assets sold under repurchase agreements	3,207	10,461	(69.34)
Deposits from customers	10,940,837	9,987,450	9.55
Accrued staff costs	37,232	35,931	3.62
Taxes payable	30,217	47,189	(35.97)
Interest payable	104,345	80,554	29.53
Provisions	4,947	5,180	(4.50)
Debt securities issued	213,628	168,312	26.92
Deferred tax liabilities	368	358	2.79
Other liabilities	110,074	35,598	209.21
Total liabilities	12,636,340	11,465,173	10.21
Equity:			
Share capital	250,011	250,011	-
Capital reserve	135,183	135,178	-
Investment revaluation reserve	11,305	6,383	77.11
Surplus reserve	67,576	67,576	-
General reserve	80,163	67,342	19.04
Retained earnings	323,600	289,266	11.87
Exchange reserve	(4,312)	(4,615)	(6.57)
Total equity attributable to equity shareholders of the Bank	863,526	811,141	6.46
Non-controlling interests	5,879	5,520	6.50
Total equity	869,405	816,661	6.46
Total liabilities and equity	13,505,745	12,281,834	9.97

Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2012	250,011	135,178	6,383	67,576	67,342	289,266	(4,615)	5,520	816,661
Movements during the period	-	5	4,922	-	12,821	34,334	303	359	52,744
(1) Total comprehensive income for the period	-	5	4,922	-	-	106,283	303	225	111,738
(2) Changes in share capital	-	-	-	-	-	-	-	181	181
i. Non-controlling interests of new subsidiaries	-	-	-	-	-	-	-	186	186
ii. Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	(5)	(5)
(3) Profit distribution	-	-	-	-	12,821	(71,949)	-	(47)	(59,175)
i. Appropriation to general reserve	-	-	-	-	12,821	(12,821)	-	-	-
ii. Appropriation to equity shareholders	-	-	-	-	-	(59,128)	-	(47)	(59,175)
As at 30 June 2012	250,011	135,183	11,305	67,576	80,163	323,600	(4,312)	5,879	869,405

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2011	250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905
Movements during the period	-	22	(2,426)	-	6,075	33,698	(563)	965	37,771
(1) Total comprehensive income for the period	-	22	(2,426)	-	-	92,825	(563)	76	89,934
(2) Changes in share capital	-	-	-	-	-	-	-	902	902
(3) Profit distribution	-	-	-	-	6,075	(59,127)	-	(13)	(53,065)
i. Appropriation to general reserve	-	-	-	-	6,075	(6,075)	-	-	-
ii. Appropriation to equity shareholders	-	-	-	-	-	(53,052)	-	(13)	(53,065)
As at 30 June 2011	250,011	135,158	4,280	50,681	67,422	229,648	(3,602)	5,078	738,676

Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
As at 1 January 2011	250,011	135,136	6,706	50,681	61,347	195,950	(3,039)	4,113	700,905
Movements during the year	-	42	(323)	16,895	5,995	93,316	(1,576)	1,407	115,756
(1) Total comprehensive income for the year	-	42	(323)	-	-	169,258	(1,576)	120	167,521
(2) Changes in share capital	-	-	-	-	-	-	-	1,325	1,325
(3) Profit distribution	-	-	-	16,895	5,995	(75,942)	-	(38)	(53,090)
i. Appropriation to surplus reserve	-	-	-	16,895	-	(16,895)	-	-	-
ii. Appropriation to general reserve	-	-	-	-	5,995	(5,995)	-	-	-
iii. Appropriation to equity shareholders	-	-	-	-	-	(53,052)	-	(38)	(53,090)
As at 31 December 2011	250,011	135,178	6,383	67,576	67,342	289,266	(4,615)	5,520	816,661

Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2012	2011
Cash flows from operating activities		
Profit before tax	138,512	120,789
Adjustments for:		
– Impairment losses	14,738	13,925
– Depreciation and amortisation	6,647	6,222
– Unwinding of discount	(839)	(671)
– Revaluation loss on financial instruments at fair value through profit or loss	365	178
– Share of profits less losses of associates and jointly controlled entities	(8)	(25)
– Dividend income	(89)	(61)
– Unrealised foreign exchange (gain)/loss	(178)	1,843
– Interest expense on subordinated bonds issued	2,750	1,611
– Net gain on disposal of investment securities	(1,814)	(930)
– Net gain on disposal of fixed assets and other long-term assets	(23)	(371)
	160,061	142,510

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2012	2011
Changes in operating assets:		
Net increase in deposits with central banks and with banks and non-bank financial institutions	(170,028)	(284,972)
Net increase in placements with banks and non-bank financial institutions	(4,809)	(12,067)
Net increase in loans and advances to customers	(561,731)	(479,810)
Net increase in financial assets held under resale agreements	(121,007)	(117,713)
Increase in other operating assets	(26,934)	(143,392)
	(884,509)	(1,037,954)
Changes in operating liabilities:		
Net increase/(decrease) in borrowings from central banks	558	(434)
Net increase in placements from banks and non-bank financial institutions	22,022	42,874
Net increase in deposits from customers and from banks and non-bank financial institutions	1,016,808	803,947
Net decrease in financial assets sold under repurchase agreements	(7,254)	(1,860)
Net increase in certificates of deposit issued	43,664	11,908
Income tax paid	(52,785)	(38,426)
Increase in other operating liabilities	42,377	9,923
	1,065,390	827,932
Net cash from/(used in) operating activities	340,942	(67,512)

Consolidated statement of cash flows (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2012	2011
Cash flows from investing activities		
Proceeds from sale and redemption of investments	282,470	732,118
Dividends received	88	58
Proceeds from disposal of fixed assets and other long-term assets	358	608
Purchase of investment securities	(359,078)	(554,416)
Purchase of fixed assets and other long-term assets	(11,466)	(5,057)
Acquisition of subsidiaries, associates and jointly controlled entities	(209)	(802)
Net cash (used in)/from investing activities	(87,837)	172,509
Cash flows from financing activities		
Issue of subordinated bonds	993	-
Capital contribution by non-controlling interests	186	353
Dividends paid	(36)	(1,949)
Interest paid on bonds issued	(1,505)	(1,505)
Cash paid relating to other financing activities	(5)	(51)
Net cash used in financing activities	(367)	(3,152)
Effect of exchange rate changes on cash and cash equivalents	1,814	(797)
Net increase in cash and cash equivalents	254,552	101,048
Cash and cash equivalents as at 1 January	558,463	301,299
Cash and cash equivalents as at 30 June	813,015	402,347
Cash flows from operating activities include:		
Interest received	279,396	204,463
Interest paid, excluding interest expense on bonds issued	(100,436)	(61,857)

Notes:

1 Except for the new IFRS and amendments effective for the six months ended 30 June 2012 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2011.

2 Unless otherwise stated, the financial figures are expressed in millions of RMB.

3 For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

4 Net gain arising from investment securities

	Six months ended 30 June	
	2012	2011
Net gain on sale of available-for-sale financial assets	1,018	265
Net revaluation gain reclassified from other comprehensive income on disposal	738	665
Net gain on sale of held-to-maturity investments	58	-
Total	1,814	930

5 Operating expenses

	Six months ended 30 June	
	2012	2011
Staff costs		
– Salaries, bonuses, allowances and subsidies	23,974	22,208
– Defined contribution retirement schemes	3,769	3,202
– Other social insurance and welfare	3,107	2,616
– Housing funds	2,139	1,813
– Union running costs and employee education costs	987	885
– Compensation to employees for termination of employment relationship	6	6
	33,982	30,730
Premises and equipment expenses		
– Depreciation charges	5,580	5,189
– Rent and property management expenses	2,802	2,457
– Maintenance	888	784
– Utilities	827	746
– Others	560	459
	10,657	9,635
Business tax and surcharges	14,975	11,530
Amortisation expenses	1,067	1,033
Audit fees	76	72
Other general and administrative expenses	13,813	9,557
Total	74,570	62,557

6 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2012	2011
Current tax	35,509	28,563
– Mainland China	35,110	28,336
– Hong Kong	301	191
– Other countries and regions	98	36
Adjustments for prior years	590	561
Deferred tax	(4,081)	(1,288)
Total	32,018	27,836

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2012	2011
Profit before tax	138,512	120,789
Income tax calculated at statutory tax rate	34,628	30,197
Non-deductible expenses		
– Staff costs	134	79
– Others	440	101
	574	180
Non-taxable income		
– Interest income from PRC government bonds	(3,607)	(3,004)
– Others	(167)	(98)
	(3,774)	(3,102)
Total	31,428	27,275
Adjustments on income tax for prior years which affect profit or loss	590	561
Income tax expense	32,018	27,836

7 Earnings per share

Basic earnings per share for the six months ended 30 June 2012 and 2011 have been computed by dividing the net profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2012 and 2011.

	Six months ended 30 June	
	2012	2011
Net profit attributable to shareholders of the Bank	106,283	92,825
Weighted average number of shares (in million shares)	250,011	250,011
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB Yuan)	0.43	0.37

8 Derivatives

(1) Analysed by type of contract

	As at 30 June 2012			As at 31 December 2011		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	277,803	3,750	3,694	183,660	4,252	4,434
Exchange rate contracts	1,023,111	10,989	9,280	740,737	9,344	8,480
Other contracts	9,674	580	550	5,011	531	396
Total	1,310,588	15,319	13,524	929,408	14,127	13,310

(2) Analysed by credit risk-weighted amount

	30 June 2012	31 December 2011
Interest rate contracts	3,682	4,004
Exchange rate contracts	17,314	11,900
Other contracts	789	685
Total	21,785	16,589

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period. They do not represent the amounts at risk. The credit risk-weighted amount was computed in accordance with the rules set out by the CBRC and depended on the status of the counterparty and the maturity characteristics. It included customer driven transactions, which were hedged back to back.

9 Deposits from customers

	30 June 2012	31 December 2011
Demand deposits		
– Corporate customers	3,603,730	3,576,929
– Personal customers	1,995,804	1,839,812
Subtotal	5,599,534	5,416,741
Time deposits (including call deposits)		
– Corporate customers	2,286,308	1,949,188
– Personal customers	3,054,995	2,621,521
Subtotal	5,341,303	4,570,709
Total	10,940,837	9,987,450

Deposits from customers include:

		30 June 2012	31 December2011
(1)	Pledged deposits		
	– Deposits for acceptance	145,082	104,880
	– Deposits for guarantee	36,861	40,570
	– Deposits for letter of credit	50,132	59,445
	– Others	215,876	158,088
	Total	447,951	362,983
(2)	Outward remittance and remittance payables	28,610	9,508

(3) As at 30 June 2012, the balance of wealth management products with principal guaranteed by the Group was RMB342,435 million (31 December 2011: RMB154,062 million).

10 Profit distribution

The Bank declared a cash dividend of RMB59,128 million for the year ended 31 December 2011 according to the profit distribution plan approved by the Annual General Meeting held on 7 June 2012.

11 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees and letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	30 June 2012	31 December 2011
Loan commitments		
– with an original maturity within one year	140,321	129,745
– with an original maturity of one year or over	277,346	349,032
Credit card commitments	298,625	266,447
	716,292	745,224
Bank acceptances	383,126	335,517
Financing guarantees	204,181	189,258
Non-financing guarantees	461,302	439,322
Sight letters of credit	38,850	42,778
Usance letters of credit	186,701	203,810
Others	39,993	26,040
Total	2,030,445	1,981,949

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

	30 June 2012	31 December 2011
Credit risk-weighted amount of contingent liabilities and commitments	963,185	929,681

(3) Operating lease commitments

The Group leases certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	30 June 2012	31 December 2011
Within one year	3,589	3,363
After one year but within two years	2,784	2,640
After two years but within three years	2,009	1,836
After three years but within five years	2,511	2,130
After five years	1,792	1,467
Total	12,685	11,436

(4) Capital commitments

As at the end of the reporting period, the Group had capital commitments as follows:

	30 June 2012	31 December 2011
Contracted for	2,203	4,793
Authorised but not contracted for	10,724	5,802
Total	12,927	10,595

(5) Underwriting obligations

As at 30 June 2012, the unexpired underwriting commitments of the Group were RMB36,350 million (As at 31 December 2011: Nil).

(6) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2012, were RMB53,905 million (As at 31 December 2011: RMB72,205 million).

(7) Outstanding litigation and disputes

As at 30 June 2012, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,172 million (as at 31 December 2011: RMB2,173 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

(8) Provisions against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies.

12 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under general commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

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. Segment income, results, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney and Ho Chi Minh City and certain subsidiaries operating in Hong Kong and London.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

– "Yangtze River Delta" refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– "Pearl River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the "Central" region refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;

– the "Western" region refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

– the "Northeastern" region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(1) Geographical segments (continued)

	Six months ended 30 June 2012								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	26,739	14,274	14,906	17,397	20,497	6,416	68,269	1,194	169,692
Internal net interest income/(expense)	3,037	6,358	10,331	7,784	6,289	4,158	(38,876)	919	-
Net interest income	29,776	20,632	25,237	25,181	26,786	10,574	29,393	2,113	169,692
Net fee and commission income	10,857	8,903	8,026	7,564	6,519	2,952	3,869	553	49,243
Net trading gain/(loss)	281	345	166	74	128	69	(766)	53	350
Dividend income	-	-	-	45	10	13	11	10	89
Net gain arising from investment securities	85	-	-	384	639	15	665	26	1,814
Other operating income, net	2,961	180	110	163	379	42	2,666	123	6,624
Operating income	43,960	30,060	33,539	33,411	34,461	13,665	35,838	2,878	227,812
Operating expenses	(16,009)	(10,195)	(11,695)	(13,059)	(12,358)	(5,608)	(4,279)	(1,367)	(74,570)
Impairment losses	(7,158)	(1,478)	(1,520)	(1,921)	(1,126)	(728)	(906)	99	(14,738)
Share of profits less losses of associates and jointly controlled entities	-	-	-	(5)	-	-	-	13	8
Profit before tax	20,793	18,387	20,324	18,426	20,977	7,329	30,653	1,623	138,512
Capital expenditure	1,444	1,093	1,351	2,286	1,610	1,009	515	2,062	11,370
Depreciation and amortisation	1,159	761	970	1,216	1,082	572	833	54	6,647

	30 June 2012								
Segment assets	2,563,903	1,970,485	2,466,289	2,097,289	2,180,809	858,760	5,629,901	540,422	18,307,858
Interests in associates and jointly controlled entities	-	-	-	387	-	-	-	1,918	2,305
	2,563,903	1,970,485	2,466,289	2,097,676	2,180,809	858,760	5,629,901	542,340	18,310,163
Deferred tax assets									23,860
Elimination									(4,828,278)
Total assets									13,505,745
Segment liabilities	2,547,919	1,960,710	2,452,220	2,085,662	2,167,217	853,540	4,882,012	514,970	17,464,250
Deferred tax liabilities									368
Elimination									(4,828,278)
Total liabilities									12,636,340
Off-balance sheet credit commitments	586,419	370,657	429,114	239,835	234,569	102,732	12,002	55,117	2,030,445

(1) Geographical segments (continued)

	Six months ended 30 June 2011								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	21,781	12,042	13,602	15,468	17,039	5,294	58,988	1,492	145,706
Internal net interest income/(expense)	3,327	5,463	7,472	5,497	4,727	3,230	(29,645)	(71)	-
Net interest income	25,108	17,505	21,074	20,965	21,766	8,524	29,343	1,421	145,706
Net fee and commission income	11,647	8,647	7,382	7,297	6,058	2,860	3,150	630	47,671
Net trading gain/ (loss)	296	261	169	44	143	83	(126)	(201)	669
Dividend income	-	-	-	23	-	-	24	14	61
Net gain arising from investment securities	-	-	-	288	8	9	540	85	930
Other operating income/(expense), net	260	147	95	270	426	40	(217)	1,188	2,209
Operating income	37,311	26,560	28,720	28,887	28,401	11,516	32,714	3,137	197,246
Operating expenses	(12,275)	(8,739)	(9,959)	(11,204)	(10,589)	(4,801)	(3,668)	(1,322)	(62,557)
Impairment losses	(2,890)	(1,874)	(1,634)	(2,082)	(4,124)	(114)	(1,343)	136	(13,925)
Share of profits less losses of associates and jointly controlled entities	-	-	-	-	-	-	-	25	25
Profit before tax	22,146	15,947	17,127	15,601	13,688	6,601	27,703	1,976	120,789
Capital expenditure	855	382	785	1,131	946	502	425	9	5,035
Depreciation and amortisation	1,023	712	898	1,106	969	496	962	56	6,222
	31 December 2011								
Segment assets	2,309,626	1,773,562	2,241,298	1,874,631	1,982,662	769,288	5,140,899	441,119	16,533,085
Interests in associates and jointly controlled entities	-	-	-	-	-	-	-	2,069	2,069
	2,309,626	1,773,562	2,241,298	1,874,631	1,982,662	769,288	5,140,899	443,188	16,535,154
Deferred tax assets									21,410
Elimination									(4,274,730)
Total assets									12,281,834
Segment liabilities	2,304,167	1,769,903	2,232,283	1,869,614	1,976,095	766,375	4,402,281	418,827	15,739,545
Deferred tax liabilities									358
Elimination									(4,274,730)
Total liabilities									11,465,173
Off-balance sheet credit commitments	565,867	365,648	406,115	245,292	233,361	103,085	12,002	50,579	1,981,949

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking activities, card business, personal wealth management services, remittance services and securities agency services, etc.

Treasury business

This segment covers the Group’s treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group’s overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(2) Business segments (continued)

	Six months ended 30 June 2012				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	100,654	(7,963)	73,863	3,138	169,692
Internal net interest (expense)/income	(15,983)	54,987	(38,408)	(596)	-
Net interest income	84,671	47,024	35,455	2,542	169,692
Net fee and commission income	21,892	16,205	10,165	981	49,243
Net trading (loss) /gain	(7)	322	(9)	44	350
Dividend income	-	-	-	89	89
Net gain arising from investment securities	-	-	200	1,614	1,814
Other operating income, net	231	129	2,768	3,496	6,624
Operating income	106,787	63,680	48,579	8,766	227,812
Operating expenses	(29,754)	(36,846)	(2,851)	(5,119)	(74,570)
Impairment losses	(10,734)	(4,489)	520	(35)	(14,738)
Share of profits less losses of associates and jointly controlled entities	-	-	-	8	8
Profit before tax	66,299	22,345	46,248	3,620	138,512
Capital expenditure	3,378	7,413	368	211	11,370
Depreciation and amortization	1,975	4,334	215	123	6,647
	30 June 2012				
Segment assets	4,985,037	1,774,021	6,308,657	625,968	13,693,683
Interests in associates and jointly controlled entities	-	-	-	2,305	2,305
	4,985,037	1,774,021	6,308,657	628,273	13,695,988
Deferred tax assets					23,860
Elimination					(214,103)
Total assets					13,505,745
Segment liabilities	6,302,753	5,653,169	159,463	734,690	12,850,075
Deferred tax liabilities					368
Elimination					(214,103)
Total liabilities					12,636,340
Off-balance sheet credit commitments	1,676,703	298,625	-	55,117	2,030,445

(2) Business segments (continued)

	Corporate banking	Personal banking	Treasury business	Others	Total
	Six months ended 30 June 2011				
External net interest income/(expense)	86,710	(526)	57,451	2,071	145,706
Internal net interest (expense) / income	(11,690)	40,650	(27,987)	(973)	-
Net interest income	75,020	40,124	29,464	1,098	145,706
Net fee and commission income	21,928	15,386	9,413	944	47,671
Net trading gain / (loss)	-	384	502	(217)	669
Dividend income	-	-	-	61	61
Net gain arising from investment securities	-	-	265	665	930
Other operating income/(expense), net	373	113	(165)	1,888	2,209
Operating income	97,321	56,007	39,479	4,439	197,246
Operating expenses	(26,384)	(31,940)	(1,930)	(2,303)	(62,557)
Impairment losses	(12,552)	(1,365)	(105)	97	(13,925)
Share of profits less losses of associates and jointly controlled entities	-	-	-	25	25
Profit before tax	58,385	22,702	37,444	2,258	120,789
Capital expenditure	1,515	3,257	188	75	5,035
Depreciation and amortization	1,873	4,024	232	93	6,222
	31 December 2011				
Segment assets	4,643,350	1,662,434	5,411,041	700,464	12,417,289
Interests in associates and jointly controlled entities	-	-	-	2,069	2,069
	4,643,350	1,662,434	5,411,041	702,533	12,419,358
Deferred tax assets					21,410
Elimination					(158,934)
Total assets					12,281,834
Segment liabilities	5,911,337	4,981,889	160,905	569,618	11,623,749
Deferred tax liabilities					358
Elimination					(158,934)
Total liabilities					11,465,173
Off-balance sheet credit commitments	1,689,179	242,191	-	50,579	1,981,949

Unaudited supplementary financial information

(a) Liquidity ratios

	30 June 2012	Average for six months ended 30 June 2012	31 December 2011	Average for the year ended 31December 2011
RMB current assets to RMB current liabilities	56.56%	55.13%	53.70%	52.33%
Foreign currency current assets to foreign currency current liabilities	58.24%	55.89%	53.54%	51.40%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month's liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(b) Currency concentrations

	30 June 2012			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	514,825	132,013	229,094	875,932
Spot liabilities	(483,480)	(138,107)	(213,431)	(835,018)
Forward purchases	449,184	22,809	195,397	667,390
Forward sales	(464,508)	(9,665)	(210,510)	(684,683)
Net options position	308	-	-	308
Net long position	16,329	7,050	550	23,929
Net structural position	19	2,144	132	2,295

	31 December 2011			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	358,091	181,021	119,685	658,797
Spot liabilities	(276,244)	(179,624)	(139,599)	(595,467)
Forward purchases	303,678	11,648	107,787	423,113
Forward sales	(383,693)	(3,648)	(79,593)	(466,934)
Net long position	1,832	9,397	8,280	19,509
Net structural position	15	(74)	64	5

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

(c) Cross-border claims

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

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are 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.

	30 June 2012			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	10,850	528	149,399	160,777
– of which attributed to Hong Kong	4,759	-	124,339	129,098
Europe	793	105	79,571	80,469
North and South America	30,941	84	85,086	116,111
Total	42,584	717	314,056	357,357

	31 December 2011			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	19,327	675	171,002	191,004
– of which attributed to Hong Kong	12,190	-	142,388	154,578
Europe	3,390	112	66,528	70,030
North and South America	24,361	84	57,448	81,893
Total	47,078	871	294,978	342,927

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(d) Overdue loans and advances to customers by geographical sector

	30 June 2012	31 December 2011
Yangtze River Delta	16,810	8,361
Bohai Rim	6,549	6,596
Central	7,401	6,331
Pearl River Delta	5,781	5,056
Western	4,935	3,789
Northeastern	3,420	3,116
Head office	1,883	1,736
Overseas	171	192
Total	46,950	35,177

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the Rules.

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

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

Management Discussion and Analysis

Financial Review

In the first half of 2012, instability and uncertainty persisted in the global economic recovery. China's economy was sound on the whole, and with a series of timely anticipatory adjustments and fine-tuning measures, albeit slowing, the economy tended to stabilise gradually. In the first half of the year, the gross domestic product increased by 7.8% over the same period last year, while the consumer price index increased by 3.3%. The PBC adopted sound monetary policies, and actively promoted the reform of interest rates liberalisation. It lowered the statutory deposit reserve rate twice, and lowered the benchmark lending and deposit rate once.

The Group closely monitored the trend of national economy and changes in regulatory requirements, accelerated business structure adjustments, and strengthened comprehensive risk controls, achieving steady profit growth and stable asset quality.

Statement of Comprehensive Income Analysis

In the first half of 2012, the Group recorded profit before tax of RMB138,512 million, up 14.67% over the same period last year. Net profit was RMB106,494 million, up 14.57% over the same period last year. The steady profit growth was mainly due to the following factors: (1) The interest-earning assets increased moderately and net interest margin rose as well, pushing up net interest income by RMB23,986 million, or 16.46% over the same period last year. (2) The Group further improved its cost management and strictly controlled its expenses, leading to a relatively low cost-to-income ratio. (3) The Group strengthened its risk management, and the impairment losses rose by a moderate 5.84%. (4) As affected by changes in foreign exchange rates, the Group achieved exchange gains of RMB2,488 million, up RMB1,814 million compared to the same period last year.

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**	**For the six months ended 30 June 2011**	**Change (%)**
Net interest income	169,692	145,706	16.46
Net fee and commission income	49,243	47,671	3.30
Other operating income	8,877	3,869	129.44
Operating income	227,812	197,246	15.50
Operating expenses	(74,570)	(62,557)	19.20
Impairment losses	(14,738)	(13,925)	5.84
Share of profits less losses of associates and jointly controlled entities	8	25	(68.00)
Profit before tax	138,512	120,789	14.67
Income tax expense	(32,018)	(27,836)	15.02
Net profit	106,494	92,953	14.57
Other comprehensive income for the period, net of tax	5,244	(3,019)	(273.70)
Total comprehensive income for the period	111,738	89,934	24.24

Net interest income

In the first half of 2012, the Group's net interest income was RMB169,692 million, an increase of RMB23,986 million, or 16.46%, over the same period in 2011, representing 74.49% of operating income.

The following table shows the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

(In millions of RMB, except percentages)	For the six months ended 30 June 2012			For the six months ended 30 June 2011		
	Average balance	**Interest income/ expense**	**Annualised average yield/cost (%)**	**Average balance**	**Interest income/ expense**	**Annualised average yield/cost (%)**
Assets						
Gross loans and advances to customers	6,789,430	214,965	6.37	5,928,621	159,478	5.42
Investment in debt securities	2,772,660	48,966	3.55	2,746,898	42,318	3.11
Deposits with central banks	2,310,510	17,107	1.49	1,923,942	14,665	1.54
Deposits and placements with banks and non-bank financial institutions	558,594	10,663	3.84	135,772	1,463	2.17
Financial assets held under resale agreements	170,819	3,732	4.39	298,654	5,534	3.74
Total interest-earning assets	12,602,013	295,433	4.71	11,033,887	223,458	4.08
Total allowances for impairment losses	(186,355)			(147,634)		
Non-interest-earning assets	321,416			323,133		
Total assets	12,737,074	295,433		11,209,386	223,458	
Liabilities						
Deposits from customers	10,239,371	103,580	2.03	9,296,612	67,407	1.46
Deposits and placements from banks and non-bank financial institutions	1,118,767	17,819	3.20	826,834	8,044	1.96
Financial assets sold under repurchase agreements	40,297	925	4.61	20,812	544	5.27
Debt securities issued	195,047	3,399	3.50	99,288	1,748	3.55
Other interest-bearing liabilities	2,663	18	1.38	1,787	9	1.02
Total interest-bearing liabilities	11,596,145	125,741	2.18	10,245,333	77,752	1.53
Non-interest-bearing liabilities	268,563			210,312		
Total liabilities	11,864,708	125,741		10,455,645	77,752	
Net interest income		169,692			145,706	
Net interest spread			2.53			2.55
Net interest margin			2.71			2.66

For the first half of 2012, the Group's net interest margin was 2.71%, up 5 basis points over the same period last year, mainly due to the following factors: (1) The Group's rising bargaining power and the repricing of existing loans helped to push up the yield of loans. (2) Due to the intense competition in the market for funds, yield of discounted bills rose considerably. (3) With proper adjustments to the term and structure, the yield of the investment in debt securities rose steadily. Meanwhile, the cost of interest-bearing liabilities rose compared to the same period last year, as a result of the repricing of existing deposits and higher proportion of time deposits in total deposits, partially offsetting the positive effects of the above factors.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for the first half of 2012 versus the first half of 2011.

(In millions of RMB)	**Volume factor[1]**	**Interest rate factor[1]**	**Change in interest income/expense**
Assets			
Gross loans and advances to customers	24,886	30,601	55,487
Investment in debt securities	404	6,244	6,648
Deposits with central banks	2,889	(447)	2,442
Deposits and placements with banks and non-bank financial institutions	7,368	1,832	9,200
Financial assets held under resale agreements	(2,662)	860	(1,802)
Change in interest income	32,885	39,090	71,975
Liabilities			
Deposits from customers	7,401	28,772	36,173
Deposits and placements from banks and non-bank financial institutions	3,485	6,290	9,775
Financial assets sold under repurchase agreements	454	(73)	381
Debt securities issued	1,671	(20)	1,651
Other interest-bearing liabilities	6	3	9
Change in interest expenses	13,017	34,972	47,989
Change in net interest income	19,868	4,118	23,986

1. Change caused by both average balances and average interest rates has been allocated to volume factor and interest rate factor based on proportions of absolute values of effects of volume factor and interest rate factor.

Net interest income increased by RMB23,986 million over the same period in 2011, in which an increase of RMB19,868 million was due to the movement of average balances of assets and liabilities, and an increase of RMB4,118 million was due to the movement of average yields or costs.

Interest income

In the first half of 2012, the Group's interest income was RMB295,433 million, an increase of RMB71,975 million, or 32.21%, over the same period in 2011. In this amount, interest income from loans and advances to customers accounted for 72.76%, interest income from investments in debt securities for 16.57%, interest income from deposits with central banks for 5.79%, and interest income from deposits and placements with banks and non-bank financial institutions for 3.61%.

Interest income from loans and advances to customers

The table below shows the average balance, interest income and average yield of each component of the Group's loans and advances to customers.

(In millions of RMB, except percentages)	For the six months ended 30 June 2012			For the six months ended 30 June 2011		
	Average balance	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
Corporate loans and advances	4,556,709	150,708	6.65	4,096,334	114,525	5.64
Short-term loans	1,510,690	49,678	6.61	1,236,096	33,751	5.51
Medium to long-term loans	3,046,019	101,030	6.67	2,860,238	80,774	5.69
Personal loans and advances	1,737,743	53,365	6.14	1,464,812	38,360	5.24
Discounted bills	120,837	5,005	8.33	111,180	3,226	5.85
Overseas operations and subsidiaries	374,141	5,887	3.16	256,295	3,367	2.65
Gross loans and advances to customers	6,789,430	214,965	6.37	5,928,621	159,478	5.42

Interest income from loans and advances to customers rose by RMB55,487 million, or 34.79% over the same period in 2011, to RMB214,965 million. This was mainly because the average balance of loans and advances to customers rose by 14.52%, and average yield rose by 95 basis points. The main causes for higher loan yield are as follows: (1) The proactive credit structure adjustment and reinforced pricing management helped to push up the weighted average interest rate of newly granted loans, while the repricing of existing loans further helped to raise the yield of corporate loans. (2) The yield of personal loans rose steadily due to the macro-control policies on property sector and repricing of existing loans. (3) Yield of discounted bills rose quickly due to the tightening of credit resources in the market.

Interest income from investment in debt securities

Interest income from investment in debt securities grew by RMB6,648 million, or 15.71%, to RMB48,966 million over the same period in 2011, largely because the Group made timely adjustments to the term and structure of its RMB-denominated debt securities investment to take advantage of rising interest rate, and the average yield of investment in debt securities rose markedly over the same period in 2011.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB17,107 million, a rise of RMB2,442 million, or 16.65% over the same period last year. This was mainly because the average balances of deposits with central banks increased by 20.09% over the same period last year.

Interest income from deposits and placements with banks and non-bank financial institutions

Interest income from deposits and placements with banks and non-bank financial institutions grew by RMB9,200 million to RMB10,663 million, an increase of 628.84% over the same period in 2011. This was primarily because the average balance of deposits and placements with banks and non-bank financial institutions rose by 311.42% over the same period in 2011 due to an increase in principal-guaranteed wealth management products.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements decreased by RMB1,802 million, or 32.56% over the same period in 2011 to RMB3,732 million. This was mainly because the average balances of financial assets held under resale agreements fell substantially in light of the needs of liquidity management.

Interest expense

In the first half of 2012, the Group's interest expense was RMB125,741 million, an increase of RMB47,989 million, or 61.72% over the same period in 2011.

Interest expense on deposits from customers

The table below shows the average balance, interest expense and average cost of each component of the Group's deposits from customers.

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**			**For the six months ended 30 June 2011**		
	Average balance	**Interest expense**	**Average cost (%)**	**Average balance**	**Interest expense**	**Average cost (%)**
Corporate deposits	5,302,376	50,068	1.90	4,972,900	32,954	1.34
Demand deposits	3,223,782	13,956	0.87	3,255,331	12,067	0.75
Time deposits	2,078,594	36,112	3.47	1,717,569	20,887	2.43
Personal deposits	4,791,478	52,414	2.20	4,202,171	33,818	1.62
Demand deposits	1,905,815	4,527	0.48	1,718,074	3,993	0.47
Time deposits	2,885,663	47,887	3.32	2,484,097	29,825	2.40
Overseas operations and subsidiaries	145,517	1,098	1.52	121,541	635	1.05
Total deposits from customers	10,239,371	103,580	2.03	9,296,612	67,407	1.46

Interest expense on deposits from customers rose to RMB103,580 million, representing an increase of RMB36,173 million, or 53.66%, over the same period in 2011. This was mainly because the average cost increased by 57 basis points and the average balance increased by 10.14% over the same period last year. The increase in the average cost of deposits from customers was mainly because the cost of time deposits rose substantially over the same period in 2011 by 97 basis points as a result of repricing of existing deposits. In addition, under the expectation of interest rate cuts, time deposits tend to grow at a faster speed, with the proportion of the average balance of time deposits in total deposits up by 3.29 percentage points to 48.48%, further pushing up the average cost of deposits from customers.

Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB17,819 million, an increase of RMB9,775 million, or 121.52% over the same period in 2011, largely because the average cost of deposits and placements from banks and non-bank financial institutions rose by 124 basis points over the same period last year to 3.20% due to market influence.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by RMB381 million over the same period in 2011 to RMB925 million. This was primarily due to the rise in average balance compared to the same period last year.

Net fee and commission income

(In millions of RMB, except percentages)	**For the six months ended 30 June 2012**	**For the six months ended 30 June 2011**	**Change (%)**
Fee and commission income	50,525	48,891	3.34
Consultancy and advisory fees	10,475	10,390	0.82
Bank card fees	9,132	7,829	16.64
Agency service fees	7,282	7,920	(8.06)
Settlement and clearing fees	6,175	7,157	(13.72)
Wealth management service fees	5,618	3,662	53.41
Commission on trust and fiduciary activities	4,562	4,531	0.68
Electronic banking service fees	2,251	2,134	5.48
Credit commitment fees	1,467	1,280	14.61
Guarantee fees	1,095	1,468	(25.41)
Others	2,468	2,520	(2.06)
Fee and commission expense	(1,282)	(1,220)	5.08
Net fee and commission income	49,243	47,671	3.30

In the first half of 2012, the Group's net fee and commission income increased by RMB1,572 million or 3.30% over the same period in 2011 to RMB49,243 million, and the ratio of net fee and commission income to operating income decreased by 2.55 percentage points to 21.62%. The growth rate of net fee and commission income decreased mainly due to the following reasons: (1) With the slow down of economic growth, most domestic commercial banks' income from intermediary business suffered; (2) Growth rates of market-related products fell; (3) Income from certain products declined as affected by regulatory policies.

Consultancy and advisory fees increased by 0.82% over the same period in 2011 to RMB10,475 million. The growth rate fell significantly from that for the same period last year, mainly due to the decrease in routine financial advisory income as affected by regulatory policies. Income from non-traditional financial advisory services and pricing advisory service maintained stable growth.

Bank card fees grew by 16.64% over the same period in 2011 to RMB9,132 million. In this amount, income from credit cards rose by over 30% due to the strong growth of instalment transactions through multiple innovative products; with improved customer structure and bank card quality, the customer spending via bank cards and volume of transactions through self-service facilities grew steadily.

Agency service fees decreased to RMB7,282 million by 8.06% from the same period in 2011. This was because fees from fund agency services fell substantially due to the gloomy securities market. Products such as precious metals agency service and housing reform financial services increased at a steady pace.

Settlement and clearing fees decreased to RMB6,175 million by 13.72% from the same period in 2011. This mainly resulted from the decrease in income from corporate cash management service. Income from settlement products such as corporate settlement card, domestic letter of credit and all-in-one corporate accounts grew rapidly.

Wealth management service fees increased by 53.41% over the same period in 2011 to RMB5,618 million. With increased wealth management awareness among our customers, products including “Qianyuan”, “CCB Fortune” and “Profit from Interest” were well received, which catered to the customers’ different risk tolerance and specific individual needs.

Commission on trust and fiduciary activities was RMB4,562 million, approximately the same as that for the same period in 2011. In this amount, custodial fees from insurance assets and enterprise annuities grew rapidly, while the fees from custodial service for securities investment funds decreased noticeably due to the gloomy securities market.

Electronic banking service fees grew to RMB2,251 million, an increase of 5.48% over the same period in 2011. This was mainly because the Group made great efforts to expand its electronic banking customers, and promote its E-Shangmaotong, SMS remittance and electronic mobile terminals.

Going forward, the Group will continue to maintain its enthusiasm for development and innovation, explore the potential in products and customers for financial services, expand the revenue channel and customer base for its intermediary business, and promote the healthy and sustainable development of the business.

Net trading gain

In the first half of 2012, net trading gain decreased by RMB319 million, or 47.68%, to RMB350 million, mainly due to valuation losses from proprietary cross-currency swap deals as affected by market fluctuations.

Net gain on investment securities

In the first half of 2012, the Group realised a net gain of RMB1,814 million on investment securities, an increase of RMB884 million, or 95.05%, over the same period last year. This was mainly because the realised gain from sale of available-for-sale equity instruments increased.

Other net operating income

In the first half of 2012, the Group reported other net operating income of RMB6,624 million. In this amount, the net foreign exchange gain was RMB2,488 million, an increase of RMB1,814 million, or 269.14%, over the same period last year, mainly due to the realised gain from proprietary cross-currency swap deals.

Operating expenses

(In millions of RMB, except percentages)	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Staff costs	33,982	30,730
Premises and equipment expenses	10,657	9,635
Business taxes and surcharge	14,975	11,530
Others	14,956	10,662
Operating expenses	74,570	62,557
Cost-to-income ratio	32.73%	31.72%

In the first half of 2012, the Group's operating expenses increased by RMB12,013 million, or 19.20% over the same period last year to RMB74,570 million, while the cost-to-income ratio rose by 1.01 percentage points to 32.73% over the same period in 2011.

Staff costs were RMB33,982 million, an increase of RMB3,252 million, up 10.58% over the same period in 2011, lower than the growth rates of profit before tax and net profit. Premises and equipment expenses were RMB10,657 million, up 10.61%. Business taxes and surcharges were RMB14,975 million, an increase of RMB3,445 million, up 29.88% over the same period in 2011. Other operating expenses increased by RMB4,294 million, or 40.27% over the same period last year to RMB14,956 million, largely due to increased marketing costs, such as entertainment and promotion expenses, as a result of the combined effects of business development and intense market competition.

Impairment losses

(In millions of RMB)	For the six months ended 30 June 2012	For the six month ended 30 June 2011
Loans and advances to customers	14,726	13,895
Investments	172	(63)
Available-for-sale financial assets	(253)	(39)
Held-to-maturity investments	55	(51)
Debt securities classified as receivables	370	27
Others	(160)	93
Impairment losses	14,738	13,925

During the first half of 2012, impairment losses were RMB14,738 million, an increase of RMB813 million compared to the first half of 2011. In this amount, impairment losses on loans and advances to customers were RMB14,726 million, an increase of RMB831 million over the first half of 2011; impairment losses on investments were RMB172 million, mainly provided for impairment losses on debt securities classified as receivables; the reversal of other impairment losses was RMB160 million, mainly due to the reversal of impairment losses on certain off-balance sheet businesses.

Income tax expense

During the first half of 2012, the income tax expense was RMB32,018 million, an increase of RMB4,182 million over the first half of 2011. The effective income tax rate was 23.12%, lower than China's statutory tax rate of 25%, mainly because the interest income from the PRC treasury bonds was non-taxable in accordance with tax regulations.

Other comprehensive income

In the first half of 2012, the Group recorded other comprehensive income of RMB5,244 million, largely because of the valuation gain from available-for-sale investments in debt securities with the declining market rates.

Statement of Financial Position Analysis

Assets

The following table shows the composition of the Group's total assets as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2012		As at 31 December 2011	
	Amount	**% of total**	**Amount**	**% of total**
Gross loans and advances to customers	7,061,343		6,496,411	
Allowances for impairment losses on loans	(184,763)		(171,217)	
Net loans and advances to customers	6,876,580	50.92	6,325,194	51.50
Investments[1]	2,829,185	20.95	2,741,750	22.32
Cash and deposits with central banks	2,491,592	18.45	2,379,809	19.38
Deposits and placements with banks and non-bank financial institutions	703,847	5.21	385,792	3.14
Financial assets held under resale agreements	321,055	2.38	200,045	1.63
Interest receivable	70,956	0.52	56,776	0.46
Others[2]	212,530	1.57	192,468	1.57
Total assets	13,505,745	100.00	12,281,834	100.00

1. These comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
2. These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

As at 30 June 2012, the Group's total assets amounted to RMB13,505,745 million, an increase of RMB1,223,911 million, or 9.97%, over the end of 2011. This was mainly due to the increases in loans and advances to customers, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements and cash and deposits with central banks. In terms of the structure, net loans and advances to customers accounted for 50.92% of total assets, a decrease of 0.58 percentage points from the end of 2011, due to the Group's effective control on loan growth; the proportion of investments to total assets decreased by 1.37 percentage points to 20.95%, as the Group adjusted the size of its investments in debt securities in light of the liquidity level; cash and deposits with central banks accounted for 18.45% of total assets, down 0.93 percentage points, as affected by the cuts in the statutory deposit reserve ratio; deposits and placements with banks and non-bank financial institutions accounted for 5.21% of total assets, up 2.07 percentage points, due to the increase in the balance of principal-guaranteed wealth management products; financial assets held under resale agreements accounted for 2.38% of total assets, up 0.75 percentage points, in order to make full use of surplus funds.

Loans and advances to customers

	As at 30 June 2012		As at 31 December 2011	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Corporate loans and advances	4,720,136	66.84	4,400,421	67.74
Short-term loans	1,562,953	22.13	1,383,008	21.29
Medium to long-term loans	3,157,183	44.71	3,017,413	46.45
Personal loans and advances	1,818,426	25.75	1,677,910	25.83
Residential mortgages	1,404,048	19.88	1,312,974	20.21
Personal consumer loans	77,732	1.10	76,692	1.18
Personal business loans	93,191	1.32	78,716	1.21
Credit card loans	122,542	1.74	97,553	1.50
Other loans[1]	120,913	1.71	111,975	1.73
Discounted bills	120,027	1.70	111,181	1.71
Overseas operations and subsidiaries	402,754	5.71	306,899	4.72
Gross loans and advances to customers	7,061,343	100.00	6,496,411	100.00

1. These comprise individual commercial property mortgage loans, home equity loans and education loans.

As at 30 June 2012, the Group's gross loans and advances to customers rose to RMB7,061,343 million, an increase of RMB564,932 million, or 8.70%, over the end of 2011.

Domestic corporate loans and advances of the Bank reached RMB4,720,136 million, an increase of RMB319,715 million, or 7.27%, over the end of 2011. In this amount, infrastructure loans rose to RMB2,043,496 million, the increase of which accounted for 31.12% of the increase in corporate loans. Agriculture-related loans totalled RMB1,170,371 million, and loans to small and micro businesses amounted to RMB681,415 million, up 11.47% and 7.84% respectively, both higher than the growth rate of total corporate loans. The Bank further promoted the rectification work for loans to government financing vehicles, strengthened the exit mechanism, and strictly followed the policies for loan approval, leading to improving loan structure of financing vehicles. Proportions of loans to industries categorised as prudent supporting and gradual curtailing in total loans decreased by 0.80 percentage points and 0.07 percentage points respectively. Property development loans amounted to RMB417,766 million, a decrease of RMB1,394 million over the end of last year.

Personal loans and advances increased by RMB140,516 million, or 8.37%, to RMB1,818,426 million over the end of 2011. In this amount, residential mortgages rose by RMB91,074 million, or 6.94%, to RMB1,404,048 million, mainly to support the financing needs for residential purpose; personal business loans increased by RMB14,475 million, or 18.39% over the end of 2011, to RMB93,191 million; credit card loans rose by RMB24,989 million, or 25.62%, to RMB122,542 million.

Discounted bills reached RMB120,027 million, an increase of RMB8,846 million over the end of 2011, and were primarily used to meet the short-term financing needs of targeted prime customers.

Loans and advances to customers with overseas entities and subsidiaries rose by RMB95,855 million, or 31.23%, over the end of 2011, to RMB402,754 million, largely attributable to the rapid development of cross-border coordinated businesses with the Group's strong promotion of international and comprehensive operations.

Distribution of loans by type of collateral

The table below sets forth the distribution of loans and advances to customers by type of collateral as at the dates indicated.

	As at 30 June 2012		As at 31 December 2011	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Unsecured loans	1,967,381	27.86	1,655,537	25.48
Guaranteed loans	1,408,055	19.94	1,422,349	21.89
Loans secured by tangible assets other than monetary assets	2,968,511	42.04	2,787,776	42.92
Loans secured by monetary assets	717,396	10.16	630,749	9.71
Gross loans and advances to customers	7,061,343	100.00	6,496,411	100.00

Allowances for impairment losses on loans and advances to customers

	For the six months ended 30 June 2012			
	Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances**		
(In millions of RMB)		**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January	129,832	3,276	38,109	171,217
Charge for the period	11,593	602	8,449	20,644
Release during the period	-	-	(5,918)	(5,918)
Unwinding of discount	-	-	(839)	(839)
Transfers out	-	4	45	49
Write-offs	-	(171)	(999)	(1,170)
Recoveries	-	51	729	780
As at 30 June	141,425	3,762	39,576	184,763

The Group adhered to its prudent principle by fully considering the impact of changes in external economic environment and macro-control policies on credit asset quality, and made full provisions for impairment losses on loans and advances to customers. As at 30 June 2012, the allowances for impairment losses on loans and advances to customers were RMB184,763 million, an increase of RMB13,546 million over the end of last year. The ratio of allowances to non-performing loans was 262.38%, up 20.94 percentage points over the end of last year. The ratio of allowances to total loans was 2.62%, a slight decrease of 0.02 percentage points from the end of 2011.

Investments

The following table shows the composition of the Group's investments by purpose as at the dates indicated.

	As at 30 June 2012		**As at 31 December 2011**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Financial assets at fair value through profit or loss	24,251	0.86	23,096	0.84
Available-for-sale financial assets	698,108	24.68	675,058	24.62
Held-to-maturity investments	1,806,707	63.86	1,743,569	63.60
Debt securities classified as receivables	300,119	10.60	300,027	10.94
Total investments	2,829,185	100.00	2,741,750	100.00

As at 30 June 2012, total investments increased by RMB87,435 million, or 3.19%, over the end of 2011 to RMB2,829,185 million. In this amount, held-to-maturity investments increased by RMB63,138 million, or 3.62%; available-for-sale financial assets increased by RMB23,050 million, or 3.41%; financial assets at fair value through profit or loss increased by RMB1,155 million, or 5.00% over the end of 2011.

The following table sets forth the composition of the Group's investments by nature of the financial assets as at the dates indicated.

	As at 30 June 2012		**As at 31 December 2011**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Investments in debt securities	2,807,487	99.23	2,719,007	99.17
Equity instruments	20,974	0.74	22,451	0.82
Funds	724	0.03	292	0.01
Total investments	2,829,185	100.00	2,741,750	100.00

Investments in debt securities

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

	As at 30 June 2012		**As at 31 December 2011**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
Government	909,796	32.41	901,187	33.14
Central banks	362,467	12.91	435,726	16.02
Policy banks	336,401	11.98	285,767	10.51
Banks and non-bank financial institutions	776,948	27.67	712,053	26.19
Public sector entities	151	0.01	196	0.01
Cinda	109,710	3.91	131,761	4.85
Other enterprises	312,014	11.11	252,317	9.28
Total investments in debt securities	2,807,487	100.00	2,719,007	100.00

The Group persisted with its sound investment and prudent trading philosophy, and proactively adjusted its operating strategy to achieve the balance of risks and returns, while maintaining safe liquidity. As at 30 June 2012, investments in debt securities totalled RMB2,807,487 million, an increase of RMB88,480 million, or 3.25% over the end of last year. In this amount, government debt securities were RMB909,796 million, an increase of RMB8,609 million, or 0.96%, over the end of 2011; debt securities issued by policy banks increased by RMB50,634 million, or 17.72%, over the end of 2011 to RMB336,401 million; debt securities issued by banks and non-bank financial institutions were RMB776,948 million, an increase of RMB64,895 million, or 9.11%, compared to the end of 2011; debt securities issued by central banks decreased by RMB73,259 million, or 16.81% over the end of 2011 to RMB362,467 million; Cinda debt securities decreased by RMB22,051 million over the end of 2011 to RMB109,710 million, as part of the principal was repaid to the Bank.

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 30 June 2012		**As at 31 December 2011**	
(In millions of RMB, except percentages)	**Amount**	**% of total**	**Amount**	**% of total**
RMB	2,756,082	98.17	2,667,800	98.12
USD	26,062	0.93	27,885	1.02
HKD	15,055	0.53	8,638	0.32
Other foreign currencies	10,288	0.37	14,684	0.54
Total investments in debt securities	2,807,487	100.00	2,719,007	100.00

As at 30 June 2012, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$86 million, accounting for 1.06% of the foreign currency debt securities investment portfolio; the carrying amount of the Alt-A bonds held by the Group was US$176 million, accounting for 2.17% of the foreign currency debt securities investment portfolio. The Group does not hold any debt securities issued by the governments and institutions of Greece, Portugal, Spain and Italy.

As foreign currency debt securities represent only a very small proportion of the Group's total assets, market value fluctuations for such debt securities will not have a significant effect on earnings.

Interest receivable

As at 30 June 2012, the Group's interest receivable was RMB70,956 million, an increase of RMB14,180 million, or 24.98%, over the end of 2011. This was mainly due to the combined effect of the interest rate hikes in 2011 and growth in loans and investments in debt securities.

Liabilities

The following table shows the composition of the Group's total liabilities as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2012		As at 31 December 2011	
	Amount	**% of total**	**Amount**	**% of total**
Deposits from customers	10,940,837	86.58	9,987,450	87.11
Deposits and placements from banks and non-bank financial institutions	1,136,372	8.99	1,044,954	9.11
Financial assets sold under repurchase agreements	3,207	0.03	10,461	0.09
Debt securities issued	213,628	1.69	168,312	1.47
Others[1]	342,296	2.71	253,996	2.22
Total liabilities	12,636,340	100.00	11,465,173	100.00

1. These comprise borrowings from central banks, financial liabilities at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

As at 30 June 2012, the Group's total liabilities were RMB12,636,340 million, an increase of RMB1,171,167 million, or 10.21%, over the end of 2011. In this amount, deposits from customers increased by RMB953,387 million, or 9.55%, and accounted for 86.58% of total liabilities; deposits and placements from banks and non-bank financial institutions increased by RMB91,418 million, or 8.75%, and accounted for 8.99% of total liabilities; financial assets sold under repurchase agreements decreased by RMB7,254 million, or 69.34%; debt securities issued increased by RMB45,316 million over the end of 2011, mainly because the overseas branches and CCB Asia issued more certificates of deposit.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2012		As at 31 December 2011	
	Amount	**% of total**	**Amount**	**% of total**
Corporate deposits	5,788,348	52.91	5,410,592	54.17
Demand deposits	3,536,002	32.32	3,493,316	34.98
Time deposits	2,252,346	20.59	1,917,276	19.19
Personal deposits	5,004,480	45.74	4,415,965	44.22
Demand deposits	1,984,212	18.14	1,829,399	18.32
Time deposits	3,020,268	27.60	2,586,566	25.90
Overseas operations and subsidiaries	148,009	1.35	160,893	1.61
Total deposits from customers	10,940,837	100.00	9,987,450	100.00

As at 30 June 2012, the Group's total deposits from customers reached RMB10,940,837 million, an increase of RMB953,387 million, or 9.55% over the end of last year. Time deposits increased by RMB768,772 million, or 17.07%, higher than the 3.71% growth of demand deposits. As a result, time deposits accounted for 48.19% of total deposits from customers, an increase of 3.10 percentage points compared to the end of 2011.

Shareholders' Equity

(In millions of RMB)	**As at 30 June 2012**	**As at 31 December 2011**
Share capital	250,011	250,011
Capital reserve	135,183	135,178
Investment revaluation reserve	11,305	6,383
Surplus reserve	67,576	67,576
General reserve	80,163	67,342
Retained earnings	323,600	289,266
Exchange reserve	(4,312)	(4,615)
Total equity attributable to equity shareholders of the Bank	863,526	811,141
Non-controlling interests	5,879	5,520
Total equity	869,405	816,661

As at 30 June 2012, the Group's total equity reached RMB869,405 million, an increase of RMB52,744 million over the end of 2011. The ratio of total equity to total assets for the Group was 6.44%. The daily average loan-to-deposit ratio for the first half of 2012 was 66.31%, up 2.54 percentage points over the same period last year.

Capital Adequacy Ratio

The following table sets forth the information related to the Group's capital adequacy ratio as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2012**	**As at 31 December 2011**
Core capital adequacy ratio[1]	11.19%	10.97%
Capital adequacy ratio[2]	13.82%	13.68%
Components of capital base		
Core capital:		
Share capital	250,011	250,011
Capital reserve, investment revaluation reserve and exchange reserve[3]	131,157	130,562
Surplus reserve and general reserve	147,737	134,918
Retained earnings[3,4]	285,744	229,649
Non-controlling interests	5,085	5,520
	819,734	750,660
Supplementary capital:		
General provision for doubtful debts	72,564	66,180
Positive changes in fair value of financial instruments at fair value through profit or loss	6,086	3,675
Subordinated bonds issued	120,000	120,000
	198,650	189,855
Total capital base before deductions	1,018,384	940,515
Deductions:		
Goodwill	(1,483)	(1,662)
Unconsolidated equity investments	(15,688)	(12,402)
Others[5]	(1,437)	(1,945)
Net capital	999,776	924,506
Risk-weighted assets[6]	7,236,586	6,760,117

1. Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill and 50% of unconsolidated equity investments and other items, by risk-weighted assets.
2. Capital adequacy ratio is calculated by dividing the net capital by risk-weighted assets.
3. The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital, and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of financial instruments at fair value through profit or loss, net of income tax, are excluded from the core capital and included in the supplementary capital.
4. The dividend proposed after the balance sheet date has been deducted from retained earnings.
5. Others mainly represent investments in those asset-backed securities specified by the CBRC which required reduction.
6. The balance of risk-weighted assets includes an amount equal to 12.5 times the Group's market risk capital.

The Group calculates its capital adequacy ratio in accordance with the *Measures for Capital Adequacy Ratio Management of Commercial Banks* and related regulations promulgated by the CBRC. As at 30 June 2012, the Group's capital adequacy ratio was 13.82% and the core capital adequacy ratio was 11.19%, up 0.14 and 0.22 percentage points respectively over the end of 2011. This was largely because the increase in profits supported the growth of capital; and the Group strengthened analysis on efficiency of capital utilisation of its on and off-balance sheet assets, optimised the structure of capital allocation, and achieved steady increase in the capital adequacy ratio with effective control on the growth of off-balance sheet risk assets.

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss categories.

(In millions of RMB, except percentages)	**As at 30 June 2012**		**As at 31 December 2011**	
	Amount	**% of total**	**Amount**	**% of total**
Normal	6,793,871	96.21	6,227,770	95.87
Special mention	197,055	2.79	197,726	3.04
Substandard	34,506	0.49	38,974	0.60
Doubtful	26,531	0.38	23,075	0.35
Loss	9,380	0.13	8,866	0.14
Gross loans and advances to customers	7,061,343	100.00	6,496,411	100.00
Non-performing loans	70,417		70,915	
Non-performing loan ratio		1.00		1.09

The Group stepped up credit structure adjustments, strengthened comprehensive post-lending management and risk prevention and mitigation, and expedited NPL disposal. Credit asset quality continued to be stable. As at 30 June 2012, the Group's NPLs were RMB70,417 million, a decrease of RMB498 million from the end of last year, while the NPL ratio dropped by 0.09 percentage points to 1.00%. The proportion of special mention loans in total loans slid to 2.79%, 0.25 percentage points lower than 2011.

Distribution of Loans and NPLs by Product Type

The following table sets forth loans and NPLs by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2012			As at 31 December 2011		
	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	4,720,136	62,676	1.33	4,400,421	63,692	1.45
Short-term loans	1,562,953	33,293	2.13	1,383,008	24,969	1.81
Medium to long-term loans	3,157,183	29,382	0.93	3,017,413	38,723	1.28
Personal loans and advances	1,818,426	5,735	0.32	1,677,910	5,178	0.31
Residential mortgages	1,404,048	2,860	0.20	1,312,974	2,630	0.20
Personal consumer loans	77,732	843	1.08	76,692	797	1.04
Personal business loans	93,191	319	0.34	78,716	198	0.25
Credit card loans	122,542	970	0.79	97,553	829	0.85
Other loans[1]	120,913	743	0.61	111,975	724	0.65
Discounted bills	120,027	-	-	111,181	-	-
Overseas operations and subsidiaries	402,754	2,007	0.50	306,899	2,045	0.67
Total	7,061,343	70,417	1.00	6,496,411	70,915	1.09

1. These comprise individual commercial property mortgage loans, home equity loans and education loans.

As at 30 June 2012, the NPL ratio for domestic corporate loans and advances was 1.33%, a decrease of 0.12 percentage points from the end of 2011, and that for personal loans and advances was 0.32%, 0.01 percentage points higher than at the end of 2011. The Group strengthened overseas risk management and consolidated management, and sped up the disposal and mitigation of large exposures. The asset quality of overseas entities and subsidiaries improved steadily.

Distribution of loans and NPLs by industry

The following table sets forth the loans and NPLs by industry as at the dates indicated:

(In millions of RMB, except percentages)	As at 30 June 2012				As at 31 December 2011			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	**Loans**	**% of total**	**NPLs**	**NPL ratio (%)**
Corporate loans	4,720,136	66.84	62,675	1.33	4,400,421	67.74	63,692	1.45
Manufacturing	1,182,281	16.74	28,167	2.38	1,084,612	16.70	25,577	2.36
Transportation, storage and postal services	805,750	11.41	4,515	0.56	742,368	11.43	7,038	0.95
Production and supply of electric power, gas and water services	596,691	8.45	3,638	0.61	569,517	8.77	3,929	0.69
Real estate	440,631	6.24	5,482	1.24	425,900	6.56	8,005	1.88
Leasing and commercial services	392,157	5.55	2,096	0.53	383,366	5.90	3,369	0.88
- Commercial services	381,914	5.41	2,082	0.55	373,145	5.74	3,347	0.90
Wholesale and retail trade	303,761	4.30	11,421	3.76	267,077	4.11	6,811	2.55
Water, environment and public utilities management	229,755	3.25	483	0.21	226,560	3.49	1,065	0.47
Construction	210,966	2.99	2,050	0.97	187,166	2.88	1,908	1.02
Mining	185,876	2.63	390	0.21	165,806	2.55	599	0.36
- Exploitation of petroleum and natural gas	13,589	0.19	32	0.24	15,400	0.24	39	0.25
Education	81,720	1.16	498	0.61	84,984	1.31	734	0.86
Telecommunications, computer services and software	20,496	0.29	513	2.50	21,604	0.33	783	3.62
- Telecommunications and other information transmission services	15,797	0.22	34	0.22	17,008	0.26	155	0.91
Others	270,052	3.83	3,422	1.27	241,461	3.72	3,874	1.60
Personal loans	1,818,426	25.75	5,735	0.32	1,677,910	25.83	5,178	0.31
Discounted bills	120,027	1.70	-	-	111,181	1.71	-	-
Overseas operations and subsidiaries	402,754	5.71	2,007	0.50	306,899	4.72	2,045	0.67
Total	7,061,343	100.00	70,417	1.00	6,496,411	100.00	70,915	1.09

In line with the 12th Five-Year Plan and changes in other external policies, the Group made timely adjustment to its credit policies and further improved its credit structural adjustment plan, and refined its criteria in customer selection. It adhered to the limit management for various industries, and steadily promoted credit structural adjustments. As affected by macroeconomic changes, the NPL ratios for manufacturing, and wholesale and retail trade industries rose.

Business Review

The Group's major business segments are corporate banking, personal banking, treasury business, and others which include equity investments and overseas operations.

The following table sets forth, in the periods indicated, the profit before tax of each major business segment:

(In millions of RMB, except percentages)	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
	Amount	**% of total**	**Amount**	**% of total**
Corporate banking	66,299	47.87	58,385	48.34
Personal banking	22,345	16.13	22,702	18.79
Treasury business	46,248	33.39	37,444	31.00
Others	3,620	2.61	2,258	1.87
Profit before tax	138,512	100.00	120,789	100.00

Corporate Banking

Profit before tax from corporate banking increased by 13.55% over the same period last year to RMB66,299 million, accounting for 47.87% of the Group's profit before tax as the Group's primary profit source. Operating income rose by 9.73% over the same period last year. In this amount, net interest income increased by 12.86% over the same period last year, benefiting from the stable growth of corporate loans and loan repricing after the interest rate hikes in 2011; net fee and commission income decreased by RMB36 million as affected by state regulatory policies. The Bank accelerated disposal and mitigation for existing risks, and both the non-performing loans and special mention loans in corporate loans decreased compared to the end of last year. In particular, special mention loans decreased more than that in the same period last year. As a result, impairment losses decreased by RMB1,818 million over the same period last year.

Corporate deposits and loans

The Bank not only strengthened its relationship with existing customers, but also increased marketing efforts to attract new customers, including downstream customers of entrusted payment, and upstream, downstream and related customers of core enterprises. It also used the combination and innovation of deposit products to promote the stable growth of corporate deposits. At the end of June 2012, the Bank's domestic corporate deposits were RMB5,788,348 million, an increase of RMB377,756 million over the end of last year.

In line with national economic trends and industrial policies, the Group made in-depth credit structure adjustment. It strictly controlled loans to industries with excess capacity, real estate sector, and government financing vehicles, and expanded lending to the Bank's traditional advantageous businesses, livelihood sector, agriculture-related industries including water conservancy and new countryside construction, cultural sector, green credit sector related to energy saving and emission reduction, and small and micro businesses. At the end of June 2012, the Bank's domestic corporate loans and advances reached RMB4,720,136 million, an increase of RMB319,715 million compared to the end of last year.

For the “6+1” industries with excess capacity, including iron and steel, cement, coal chemical, plate glass, wind power equipment, polycrystalline silicon as well as the shipbuilding sector, the Group conducted reviews and dynamic adjustments to the qualified customer lists, and, and increased its exit efforts by timely clearing the unqualified customers. The Bank strengthened research on the real estate control policies, enhanced market monitoring of the first-tier cities and cities with sale restriction policies, and conducted customer list management for property development loans and land reserve loans. The property development loans amounted to RMB417,766 million, a decrease of RMB1,394 million compared to the end of last year. The Bank continued to push forward the rectification work for loans to government financing vehicles, strengthened the exit mechanism, and strictly followed the loan approval policies, leading to improving structure of loans to government financing vehicles. At the end of June 2012, loans to government financing vehicles classified under the regulatory category were RMB442,598 million, and 91.33% of such loans could be fully covered by their own future cash inflows.

Traditional advantage businesses and emerging businesses both achieved rapid growth, with expanding scope of services. Loans to infrastructure sectors were RMB2,043,496 million, an increase of RMB99,498 million. Agriculture-related loans amounted to RMB1,170,371 million, up 11.47%. In this amount, loans to new countryside construction were RMB54,200 million, up 71.26%. With the aim of meeting the demand for financial service in new countryside construction, the Bank steadily extended pilot regions and business scopes, strictly reviewed the qualifications of borrowers and projects, and expanded loans to support new countryside construction. Adhering to a commercially sustainable principle, and focusing on supporting public rental housing, loans for indemnificatory housing projects were RMB41,769 million, an increase of RMB16,039 million. The domestic factoring business achieved fast growth, with advances of RMB140,279 million, an increase of RMB12,343 million. The Group is market leader in internet merchant business, with the accumulated amount of loans granted in the first half of 2012 exceeding RMB15.8 billion.

The Bank regards the small enterprise business as its strategic business. It strengthened channel building, made collaborative marketing efforts, and signed strategic cooperation agreements with the Ministry of Industry and Information Technology and China Association of Small and Medium Enterprises respectively in the first half of 2012. In addition, the Bank carried out innovation actively. On the basis of the four major product categories, including “Growing Path”, “Easy Loan”, “Petty Loan” and “Credit Loan”, the Bank introduced successive new products, such as “Credit Guarantee Loan”, “Supply Chain Loan”, “Net Ease Loan”, and “Petty Easy Loan”. The Bank continuously optimised its business process, and built a business model adptable to the transition to retail business model. It carried out a strategic assistance project with Bank of America called “Credit Business Process Re-engineering for Small and Micro Businesses”, aiming at developing an efficient and convenient business process. At the end of June 2012, according to the SME standards jointly issued by four ministries and commissions headed by the Ministry of Industry and Information Technology in 2011, loans to small and micro businesses were RMB681,415 million, an increase of RMB49,525 million compared to the end of last year. The number of small and micro business customers reached 60,604.

Institutional business

The Bank expanded on its “Minben Tongda” brand, and strengthened customer marketing and products coverage in livelihood sector. By seizing the opportunity of the social security system reform, the Bank promoted the financial social security card business as its strategic business. The Bank actively participated in online banking payment service authorised by the central government finance, and the number of pilot budget units reached 98. The Bank established correspondent banking relations with 15 new domestic banks in the first half of 2012, increasing the total number of correspondent banks to 160. Customers of “Xincunguan” business totalled 21.61 million, the largest customer base in the industry. The Bank innovatively launched securities-secured credit business mainly targeted at SME customers. With real-time monitoring of the pledged securities through its stock pledge financing service system, the Bank was able to realise electronic management of the whole process. The Bank continued to enjoy close to 50% market share in terms of the number of customers in banking services for futures. Income from the collection and payment agency service for fund trust plans totalled RMB1,238 million, ranking first among peers.

International business

In the first half of 2012, international settlement volume reached US$478,947 million, an increase of 14.17% over the same period last year. Cross-border RMB settlement gained in market share substantially, totalling RMB356,589 million, up 216.37%. The international guarantee and international financing businesses maintained healthy growth, in which the “domestic guarantee, overseas lending” business and export credit business provided global financial services for a number of large Chinese-funded enterprises.

Asset custodial business

In the face of adverse external circumstances such as the falling A-share market, the Bank took proactively measures to adjust its product structure and market to target high quality customers, and achieved stable development in the asset custodial business. At the end of June 2012, the assets under custody of the Bank reached RMB2,046,802 million, generating a fee income of RMB1,039 million. The securities investment funds under custody were RMB545,302 million, and the number of funds under custody increased by 25, maintaining leading position among its peers. The insurance assets under custody increased by 16.45% over the end of last year to RMB315,400 million.

Pension business

At the end of June 2012, the Bank operated 2.32 million personal enterprise annuity accounts, an increase of 280,000 over the end of last year. The enterprise annuity assets under custody amounted to RMB56,514 million, up by RMB8,377 million. The Bank proactively conducted product innovation, and successfully launched “Yangyisifang Exclusive A”, a customer-tailored asset management product, in the first half of 2012. A pension product framework covering four categories and ten products was initially built up.

Treasury management and settlement business

At the end of June 2012, the number of cash management customers was 610,000. The RMB settlement service generated an income of RMB3,973 million. With the launch of products such as custodial service for provisions of third-party payment agencies and cross-bank domestic letter of credit, the Bank further enriched its product line for treasury management and settlement business. The Bank maintained competitive advantages over its peers with products including all-in-one corporate account, settlement card, multiple-mode cash pool and domestic letter of credit, which effectively lifted the market influence of its cash management services branded as “Yudao”.

Personal Banking

Personal banking achieved profit before tax of RMB22,345 million with a decrease of 1.57% over the same period last year, accounting for 16.13% of the Group’s profit before tax. Operating income rose by RMB7,673 million over the same period last year. In this amount, net interest income increased by 17.20% as a result of the rapid growth of personal loans and the increase in net interest margin; net fee and commission income maintained steady growth with an increase of RMB819 million, pushed by fee-based business such as credit card and personal wealth management service. Operating expenses increased by 15.36% over the same period last year, due to greater resources invested in the personal banking business. The personal NPLs and special mention loans rose slightly compared to the end of last year. Based on its judgement on future risks and its prudent principle, the Bank made more provisions for personal loans compared to the same period last year, and the impairment losses increased by RMB3,124 million .

Personal deposits

The Bank proactively developed its customer base. It boosted the growth of personal deposits by strong promotion of settlement tools including payroll agency service, social security card with financial functions, settlement cards, and customer transaction settlement funds depository services for securities companies, and retained customer funds on the strength of its wealth management products. In the first half of 2012, personal deposits achieved steady growth with a total of RMB5,004,480 million, up 13.33% over the end of last year.

Personal loans

At the end of June 2012, personal loans totalled RMB1,818,426 million, an increase of RMB140,516 million, up 8.37% over the end of last year. With the aim of serving people’s livelihood, residential mortgages were primarily granted to support people to buy apartments for residential purpose, and the loan balance rose by 6.94% to RMB1,404,048 million, ranking first in the market in terms of both loan balance and the increase. The Bank vigorously developed its consumer lending business and launched a series of products, including “Easy Education Loan” personal education loans, “Fortune Loan” personal loans for private banking customers, personal loans pledged with gold, and “Refurbishment Loan” house renovation loans. In order to accelerate the development of personal business loans, the Bank introduced "Hexingdai" supply chain personal business loans, and vigorously tapped into the professional markets and the industry chains. At the end of June 2012, personal business loans increased to RMB93,191 million, up 18.39% over the end of last year. The pilots of personal agriculture-related loans were expanded to Qinghai, Fujian branch and other branches. The Bank continued to strengthen refined management after lending, and the asset quality of personal loans remained stable and was among the best in the market.

Entrusted housing finance business

The Bank strengthened the cooperation with local housing fund management departments and maintained market leader position in entrusted housing finance business. At the end of June 2012, housing fund deposits were RMB573,033 million, up by RMB66,077 million from the end of 2011, while personal provident housing loans were RMB666,708 million, up by RMB50,502 million. The Bank actively promoted financial services for the indemnificatory housing projects, followed up the pilot business of provident fund loans, and granted provident fund loans of RMB18,023 million for the indemnificatory housing projects, an increase of RMB559 million.

Credit card business

With a sustainable and prudent development strategy, credit card business grew quickly in the first half of 2012, and the Bank outperformed its peers in terms of multiple core business indicators. At the end of June 2012, the number of existing credit cards was 36.04 million, an increase of 3.79 million over the end of 2011. The balance of credit card loans rose by 25.62% to RMB122,542 million, and the amount of spending through credit card was RMB360,037 million. In order to acquire quality customers through multi-channels, the Bank leveraged on the marketing strength of its branch network, and pushed forward coordinated marketing campaigns by corporate and personal banking segments on the strength of “Excellent” cards, business cards and civil cards, while promoting online card issuance. The Bank also strengthened customer-centered service and loyalty management, leading to higher quality and contributions of its credit card customers. The Bank optimised and upgraded auto cards and diamond cards, consolidated the first-mover advantage of key products, such as department store cards and civil cards, and vigorously promoted instalment businesses such as car purchase and housing refurbishment instalments. It refined its credit policy system and risk monitoring mechanism to improve the accuracy of credit granting, and increased its efforts to prevent the risk of fraud to enhance card security protection capacity.

Debit cards and other personal fee-based businesses

At the end of June 2012, the number of debit cards issued increased to 398 million by 33.45 million over the end of last year. The spending amount through debit cards reached RMB1,027,000 million, and the fee and commission income was RMB4,893 million. Innovative investment products such as principal-guaranteed wealth management products and account silver grew rapidly. The Bank innovatively introduced personal Account Platinum and Account Silver businesses, with a trading volume of 7,852 tonnes for Account Silver and five tonnes for Account Platinum.

Private banking

The Bank actively responded to high-end customers’ wealth management demands, and employed innovative techniques, methods and processes, such as event-driven marketing and high-end customer relationship management, to implement targeted marketing with improved efficiency. The Bank has a strong professional team, consisting of highly qualified private banking customer managers and wealth advisors. In response to the diversified and personalised demands of the private banking customers, the Bank launched “Wealth Managers”, comprehensive wealth planning, and one-on-one product customisation services. In order to meet the financing and liquidity needs of private banking customers, the Bank introduced a series of innovative products for private banking customers, including “Fortune Loan” personal loan service plan, “Fortune Star” small business financial services, and “Credit Privilege” credit card services. The number of wealth cards and private banking cards issued continued to grow, with improved settlement service capability. By the end of June 2012, the number of private banking customers with AUM of more than RMB5 million had increased by 9.24%, and the AUM had increased by 17.97% compared to the end of 2011.

Treasury Business

Treasury business achieved profit before tax of RMB46,248 million, an increase of 23.51% over the same period last year, accounting for 33.39% of the Group’s profit before tax, 2.39 percentage points higher than its contribution for the same period last year. Operating income rose by RMB9,100 million, or 23.05% over the same period last year. In this amount, net interest income rose by RMB5,991 million, or 20.33%, with the rise in the yield of bond investment, driven by the higher market rates and improved term and structure of investments in debt securities; as a result of the fast development of key products such as non-traditional financial advisory service, bond underwriting, wealth management products and customer-driven treasury business, net fee and commission income grew by RMB752 million compared to the same period in 2011. Other operating gain was RMB2,768 million, mainly due to the increase in realised gain from proprietary cross-currency swap deals. Operating expenses increased by RMB921 million compared to the same period last year as the Group invested more resources in the treasury business. The reversal of impairment losses was RMB520 million, mainly due to the decrease in underlying credit assets and debenture bonds for customer-driven wealth management products.

Financial markets business

The Bank persisted with sound investment and prudent trading strategies, and sought a balance between risks and returns under the premise of safety and liquidity, achieving overall sound operating results of the financial markets business. With regards to the utilisation of RMB funds, the Bank achieved substantial increase in the yields of RMB-denominated investment portfolio while maintaining safe liquidity. It reasonably arranged the structure of cash inflows, extended the fund lending period, and optimised the debt securities portfolio by seizing opportunities of interest rate movements. It also actively carried out swing trading operations in the trading book, with the yields of trading bond surpassing the benchmark index substantially. The Bank ranked second in terms of over-the-counter transaction volume of book-entry treasury bonds. With regard to the utilisation of foreign currency funds, the Bank supported the development of its overseas entities while ensuring safe liquidity of foreign currency. It moderately expanded interbank lending. The Bank also paid close attention to the credit changes of foreign currency bond issuers, and reduced its holdings as appropriate.

The precious metals business developed fast, with customer expansion and product innovation progressing smoothly. In the first half of 2012, the trading volume of precious metals reached 13,514 tonnes, 14 times of that for the same period last year. The customers of account precious metals increased by 2.14 million, exceeding the total customer number for the past six years. The Bank further diversified its product lines and introduced innovative products such as USD account precious metals and repurchase of physical gold from individuals.

Albeit the market environment of weak imports and exports growth and adjusted exchange rate policies, the foreign exchange trading business grew steadily. In the first half of 2012, the volume of customer-driven foreign exchange trading reached US$196,537 million. In this amount, the volume of corporate foreign exchange trading increased fast, up 131.82% over the same period last year.

Investment banking

In the first half of 2012, the investment banking achieved sound development. On the strength of its "financial total solutions", the Bank innovatively developed businesses and products related to capital markets. For high quality Chinese enterprises listed in the United States, Hong Kong, and Singapore, the Bank introduced a new financial advisory business named "Public Private Public" (PPP). In the first half of 2012, income from financial advisory services totalled RMB5,463 million, of which income from non-traditional financial advisory services increased by 12.47% over the same period last year to RMB3,554 million.

The Bank consolidated its market advantage in underwriting commercial papers, and managed to be the first mover in the private-placement notes underwriting business. The Bank also carried out regular risk surveillance on the outstanding debt financing instruments to ensure the healthy development of underwriting business. In the first half of 2012, the underwriting amount of debt financing instruments reached RMB139,025 million, the underwriting amount of commercial papers reached RMB55,570 million and the underwriting amount of non-public debt financing instruments (private placement notes) amounted to RMB32,265 million, with the underwriting business ranking first in terms of market share.

In the first half of the year, a total of 2,253 batches of wealth management products were issued, raising an amount of RMB2,524,595 million. The balance of wealth management products was RMB650,435 million. With enhanced comprehensive risk management, the Bank further standardised the asset-backed wealth management business in terms of enterprise access, product factors, risk control and approval process. Meanwhile, the Bank also strengthened its duration management by reviewing the potential risks of wealth management products and making risk mitigation plans.

Overseas Business and Domestic Subsidiaries

Overseas business

The Group adheres to proactive and sound international operation and overseas development strategies, leading to the steady expansion of its overseas network and the rise of international comprehensive financial service capacities. At the end of June 2012, the Group had nine overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Ho Chi Minh City and Sydney; two representative offices in Taipei and Moscow; and three wholly-owned subsidiaries, namely CCB Asia, CCB International, and CCB London. In addition, the application to set up a branch in Taipei had been approved by the CBRC, and the proposal to set up a branch in San Francisco had been approved by the Board. The application and establishment of CCB's presence in other overseas regions, i.e. two banking subsidiaries in Dubai and Russia, and two branches in Toronto and Melbourne, are also in progress.

The overseas assets grew rapidly. At the end of June 2012, total assets of overseas entities were RMB542,340 million, an increase of RMB99,152 million, or 22.37% over the end of the 2011. Profit before tax was RMB1,623 million. The overseas entities continued to improve their asset structure, and the asset quality improved steadily. The collaborative business developed steadily, and infrastructures such as risk management and IT development continued to strengthen.

Domestic subsidiaries

The Group has multiple subsidiaries in non-bank financial sector, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, and CCB Life. In specific areas and regions, a number of banking institutions were established to provide specialised and differentiated services, including Sino-German Bausparkasse and 20 rural banks.

The overall development of domestic subsidiaries was good, and all indicators met regulatory requirements. At the end of June 2012, total assets of domestic subsidiaries were RMB84,447 million, an increase of RMB17,003 million over the end of last year; the profit before tax for the first half of 2012 was RMB914 million. In particular, CCB Life grew rapidly with premium income of RMB2,789 million. The amount of CCB Trust’s high-yield collective trust rose to RMB29.2 billion from RMB18.2 billion at the end of 2011. The business of rural banks developed steadily, with assets of RMB8,740 million and loans of RMB5,166 million, of which agriculture-related loans accounted for 92% of total loans. The NPL ratio were kept at nil, due to effective controls on asset quality. Profit before tax for the first half of 2012 was RMB85.19 million.

Analysis of Geographical Segment

The following table sets forth the distribution of the Group's profit before tax by geographical segment:

(In millions of RMB, except percentages)	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	20,793	15.01	22,146	18.33
Pearl River Delta	18,387	13.28	15,947	13.20
Bohai Rim	20,324	14.67	17,127	14.18
Central	18,426	13.30	15,601	12.92
Western	20,977	15.15	13,688	11.33
Northeastern	7,329	5.29	6,601	5.46
Head office	30,653	22.13	27,703	22.94
Overseas	1,623	1.17	1,976	1.64
Profit before tax	138,512	100.00	120,789	100.00

The following table sets forth the distribution of the Group's loans and NPLs by geographical segment:

(In millions of RMB, except percentages)	As at 30 June 2012				As at 31 December 2011			
	Amount	**% of total**	**NPLs**	**NPL ratio** (%)	**Amount**	**% of total**	**NPLs**	**NPL ratio** (%)
Yangtze River Delta	1,577,349	22.34	24,817	1.57	1,476,118	22.72	19,264	1.31
Pearl River Delta	1,030,533	14.59	8,755	0.85	955,937	14.71	9,699	1.01
Bohai Rim	1,223,271	17.32	8,102	0.66	1,137,623	17.51	9,428	0.83
Central	1,128,151	15.98	9,489	0.84	1,051,837	16.19	11,885	1.13
Western	1,193,276	16.90	9,430	0.79	1,108,112	17.06	10,653	0.96
Northeastern	434,766	6.16	5,996	1.38	406,035	6.25	6,264	1.54
Head office	130,524	1.85	1,887	1.45	105,632	1.63	1,744	1.65
Overseas	343,473	4.86	1,941	0.57	255,117	3.93	1,978	0.78
Gross loans and advances to customers	7,061,343	100.00	70,417	1.00	6,496,411	100.00	70,915	1.09

The following table sets forth the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	As at 30 June 2012		As at 31 December 2011	
	Amount	**% of total**	**Amount**	**% of total**
Yangtze River Delta	2,254,771	20.61	2,067,000	20.70
Pearl River Delta	1,705,343	15.59	1,539,667	15.42
Bohai Rim	2,006,319	18.34	1,825,388	18.28
Central	1,964,021	17.95	1,774,126	17.76
Western	2,046,109	18.70	1,873,139	18.75
Northeastern	797,438	7.29	733,876	7.35
Head office	28,027	0.25	21,221	0.21
Overseas	138,809	1.27	153,033	1.53
Deposits from customers	10,940,837	100.00	9,987,450	100.00

The following table sets forth the geographical distribution of the Group's assets, branches and staff:

	As at 30 June 2012					
	Assets (In millions of RMB)	**% of total**	**Number of branches**	**% of total**	**Number of staff[1]**	**% of total**
Yangtze River Delta	2,563,903	18.98	2,345	16.90	50,752	15.15
Pearl River Delta	1,970,485	14.59	1,735	12.51	39,267	11.72
Bohai Rim	2,466,289	18.26	2,246	16.19	56,760	16.94
Central	2,097,676	15.53	3,306	23.83	73,606	21.97
Western	2,180,809	16.15	2,786	20.08	65,463	19.54
Northeastern	858,760	6.36	1,375	9.91	35,920	10.72
Head office	5,629,901	41.68	3	0.02	10,368	3.10
Overseas	542,340	4.02	77	0.56	2,883	0.86
Elimination	(4,828,278)	(35.75)				
Deferred tax assets	23,860	0.18				
Total	13,505,745	100.00	13,873	100.00	335,019	100.00

1. The number of staff does not include workers dispatched by labour leasing companies, including 25,983 workers in the Bank and 275 workers in the subsidiaries.

Prospects

In the second half of 2012, there still exist many challenges for the global economic recovery. European debt crisis continues to prolong the financial turmoil and slow down the global economic recovery. Since the economy tended to stabilise gradually, albeit slowing, it is estimated that China will continue to adopt positive fiscal policy and sound monetary policies, and the growth rates of investments and consumer demand will gradually rise. It is also estimated that policies related to restrictions in property purchases and loans will not change. The PBC expanded floating ranges of deposit and lending rates to accelerate interest rates liberalisation, which may cause more intensive competition among banks and tighten the interest spread. Meanwhile, the new capital regulatory standards for banks have been released, and the new regulatory standards for liquidity risk are also expected to be released in due course, which will bring about a higher demand for operational management standard on the part of commercial banks.

In the second half of 2012, the Group will closely follow national macroeconomic policies and regulatory trends, focus on serving the real economy, and continue to carry forward its strategic transformation and structural adjustments. The Group will address the following initiatives. First, the Group will continue with its structural adjustments for customers, products, industries and regions. It will enhance support for the emerging strategic business development, and promote brand advantages in sectors such as small and micro businesses, livelihood sector, electronic banking, investment banking, wealth management and private banking. Second, the Group will proactively and soundly develop its fee-based business. It will continue to explore financial service potentials of products and customers, and expand sources of income and clientele for fee-based business. Third, the Group will strengthen its customer base, and promote the steady growth of deposits from customers by improving financial products features and enhancing business coordination. Fourth, the Group will enhance its comprehensive risk management responsibility mechanism, strengthen risk surveillance and accelerate the disposal and mitigation of existing risks. Fifth, the Group will proactively respond to the reform of interest rates liberalisation and improve its market pricing ability. Sixth, the Group will fully prepare for the implementation of the capital management measures for commercial banks and the New Basel Capital Accord, and proactively apply for the implementation of the New Basel Capital Accord.

OTHER INFORMATION

Corporate Governance

During the reporting period, the Bank continued to improve its corporate governance structure in strict compliance with the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China on Commercial Banks* and other laws and regulations, as well as listing rules of the stock listing venues, based on its practical conditions, in order to enhance its governance level.

On 16 January 2012, the Bank passed a resolution at the 2012 first extraordinary general meeting of the Bank, by which Mr. Wang Hongzhang was elected as executive director of the Bank. On the same day, Mr. Wang Hongzhang was elected chairman of the Bank on a Board meeting. On 7 June 2012, the 2011 annual general meeting of the Bank passed the resolutions of revisions to the *Articles of Association*, *Procedural Rules for Shareholders' General Meeting*, *Procedural Rules for the Board of Directors*, and *Procedural Rules for the Board of Supervisors* of the Bank. The 2011 annual general meeting also elected new directors of the Bank.

From 1 January 2012 to 31 March 2012, the Bank complied with the code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange, and complied with most of the recommended best practices therein. From 1 April 2012 to the date of this interim report, the Bank complied with the code provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the amended Listing Rules of Hong Kong Stock Exchange, and complied with most of the recommended best practices therein. The composition of the independent directors of the Bank meets the requirements on expertise and independence in the Bank's articles of association and applicable regulatory rules.

Purchase, Sale and Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any shares of the Bank.

Directors and Supervisors' Securities Transactions

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange in relation to securities transactions by directors and supervisors. During the six months ended 30 June 2012, directors and supervisors of the Bank all complied with the provisions of this code.

Review of Half-year Report

The Group's 2012 half-year financial statements prepared under the PRC GAAP has been reviewed by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and the Group's 2012 half-year financial statements prepared under the IFRS has been reviewed by PricewaterhouseCoopers.

The Audit Committee of the Bank has reviewed and approved the half-year report of the Group.

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Zhang Jianguo

Vice chairman, executive director and president

24 August 2012

As of the date of this announcement, the Bank's executive directors are Mr. Wang Hongzhang, Mr. Zhang Jianguo and Mr. Chen Zuofu; independent non-executive directors are Mr. Yam Chi Kwong, Joseph, Dame Jenny Shipley, Mr. Zhao Xijun and Mr. Wong Kai-Man; and non-executive directors are Mr. Wang Yong, Mr. Zhu Zhenmin, Ms. Li Xiaoling, Mr. Lu Xiaoma, Ms. Chen Yuanling and Mr. Dong Shi.