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# 中国农业银行

AGRICULTURAL BANK OF CHINA

## AGRICULTURAL BANK OF CHINA LIMITED

### 中國農業銀行股份有限公司

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

**(Stock Code: 1288)**

## 2011 Annual Results Announcement

The Board of Directors of Agricultural Bank of China Limited (the “**Bank**”) is pleased to announce the audited results of the Bank and its subsidiaries (together the “**Group**”) for the year ended 31 December 2011, which was prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board, and the proposed cash dividend for the year of 2011. The annual results have been reviewed by the audit committee of the Board of Directors of the Bank. This announcement contains the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the preliminary announcements of annual results. The printed version of the 2011 annual report of the Bank will be published and delivered to the H share shareholders of the Bank and will also be available for view on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Bank at [www.abchina.com](http://www.abchina.com) in April 2012.

By Order of the Board of Directors  
**Agricultural Bank of China Limited**  
**LI Zhenjiang**  
*Company Secretary*

Beijing, PRC  
22 March 2012

*As at the date of this announcement, our executive directors are Mr. JIANG Chaoliang, Mr. ZHANG Yun, Mr. YANG Kun and Mr. PAN Gongsheng; our non-executive directors are Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng and Mr. ZHAO Chao, and our independent non-executive directors are Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick MA Si-hang and Mr. WEN Tiejun.*

## Profile

The predecessor of Agricultural Bank of China is Agricultural Cooperative Bank established in 1951. Since late 1970s, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. The Bank was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively in July 2010, which marked the completion of our historical transformation into a public shareholding commercial bank.

Being one of the major integrated financial service providers in China, the Bank is committed to catering to the needs of Sannong and capitalizing on the synergy between the Urban Areas and the County Areas. The Bank also strives to expand into the international market and provides diversified services so as to become a first-class commercial bank. Capitalizing on the comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides various corporate and retail banking products and services for a broad range of customers and carries out treasury operations for our own accounts or on behalf of customers covering investment banking, fund management, financial leasing and so on. At the end of 2011, the Bank had total assets of RMB11,677,577 million, deposits of RMB9,622,026 million and loans of RMB5,628,705 million. Our capital adequacy ratio and non-performing loan ratio were 11.94% and 1.55%, respectively. The Bank achieved a net profit of RMB121,956 million in 2011.

At the end of 2011, the Bank had 23,461 domestic branch outlets, including the Head Office, 32 tier-1 branches, five branches directly managed by the Head Office, 316 tier-2 branches, 3,479 tier-1 sub-branches and 19,628 other establishments. Our overseas branch outlets consisted of three overseas branches and four overseas representative offices. Our major subsidiaries consisted of six domestic subsidiaries and three overseas subsidiaries.

In 2011, the Bank ranked No. 127 in *Fortune's* Global 500, and ranked No. 7 in *The Banker's* "Top 1000 World Banks" list in terms of profit before tax for the year of 2010. In 2011, the Bank's long term deposits rating/outlook was assigned A1/Stable by Moody's Investors Service; and the Bank's long term credit rating/bank stability and outlook were assigned A/B+ and Stable, respectively, by Fitch Ratings.

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## Basic Corporate Information

<b>Legal name in Chinese and abbreviation</b>	中國農業銀行股份有限公司 中國農業銀行
<b>Legal name in English and abbreviation</b>	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
<b>Legal representative</b>	JIANG Chaoliang
<b>Authorized representatives</b>	ZHANG Yun LI Zhenjiang LI Zhenjiang
<b>Board Secretary and Company Secretary</b>	Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 Fax: 86-10-85108557 E-mail: ir@abchina.com
<b>Registered office address and postal code</b>	No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, 100005, PRC
<b>Internet website</b>	www.abchina.com
<b>Principal place of business in Hong Kong</b>	23/F, Tower I, Admiralty Center, No. 18 Harcourt Road, Hong Kong
<b>Selected newspapers for information disclosure</b>	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
<b>Website of Shanghai Stock Exchange publishing the annual report (A share)</b>	www.sse.com.cn
<b>Website of the Hong Kong Stock Exchange publishing the annual report (H share)</b>	www.hkexnews.hk
<b>Location where copies of this annual report are kept</b>	Office of the Board of Directors
<b>Listing exchange of A shares</b>	Shanghai Stock Exchange
<b>Stock name</b>	農業銀行
<b>Stock code</b>	601288
<b>Share registrar</b>	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC)
<b>Listing exchange of H shares</b>	The Stock Exchange of Hong Kong Limited
<b>Stock name</b>	ABC
<b>Stock code</b>	1288
<b>Share registrar</b>	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong)
<b>Date of registration modification and registration authority</b>	21 February 2012 State Administration for Industry and Commerce, PRC

<b>Corporate business license registration No.</b>	100000000005472
<b>Organizational code</b>	10000547-4
<b>Financial license registration No.</b>	B0002H111000001
<b>Tax registration certificate No.</b>	Jing Shui Zheng Zi 110108100005474
<b>Name and address of domestic legal advisor</b>	King & Wood Mallesons Lawyers 40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing
<b>Name and address of Hong Kong legal advisor</b>	Freshfields Bruckhaus Deringer 11/F, Two Exchange Square, Central, Hong Kong
<b>Name and address of domestic auditor</b>	Deloitte Touche Tohmatsu CPA Ltd. 30/F, No. 222, Yan An East Road, Shanghai
<b>Name and address of international auditor</b>	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong

## Financial Highlights

(Financial data and indicators recorded in this results announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and denominated in RMB)

### Financial Data

	2011	2010	2009	2008	2007
<b>At the end of the reporting period</b> (in millions of RMB)					
Total assets	<b>11,677,577</b>	10,337,406	8,882,588	7,014,351	5,305,506
Loans and advances to customers, net	<b>5,398,863</b>	4,788,008	4,011,495	3,014,984	2,709,192
Investment securities and other financial assets, net	<b>2,628,052</b>	2,527,431	2,616,672	2,309,077	1,309,107
Total liabilities	<b>11,027,789</b>	9,795,170	8,539,663	6,723,810	6,033,111
Deposits from customers	<b>9,622,026</b>	8,887,905	7,497,618	6,097,428	5,287,194
Equity attributable to equity holders of the Bank	<b>649,601</b>	542,071	342,819	290,445	(727,605)
<b>Operating results for the year</b> (in millions of RMB)					
Net interest income	<b>307,199</b>	242,152	181,639	200,003	164,183
Net fee and commission income	<b>68,750</b>	46,128	35,640	23,798	22,995
Operating expenses	<b>157,330</b>	128,107	109,567	110,175	74,620
Provisions for impairment losses on assets	<b>64,225</b>	43,412	40,142	51,478	30,574
Net profit	<b>121,956</b>	94,907	65,002	51,453	43,787
Net profit attributable to equity holders of the Bank	<b>121,927</b>	94,873	64,992	51,474	43,787
Net cash generated from/(used in) operating activities	<b>223,004</b>	(89,878)	(21,025)	284,781	144,715

## Financial Indicators

	2011	2010	2009	2008	2007
<b>PROFITABILITY (%)</b>					
Return on average total assets <sup>1</sup>	1.11	0.99	0.82	0.84	0.88
Return on weighted average net assets <sup>2</sup>	20.46	22.49	20.53	N/A	N/A
Net interest margin <sup>3</sup>	2.85	2.57	2.28	3.13	2.94
Net interest spread <sup>4</sup>	2.73	2.50	2.20	3.02	2.85
Return on risk-weighted assets <sup>5</sup>	1.91	1.76	1.49	1.51	N/A
Net fee and commission income to operating income	18.10	15.78	15.94	11.12	12.53
Cost-to-income ratio <sup>6</sup>	35.84	38.53	43.37	45.30	34.60
<b>DATA PER SHARE</b> (RMB Yuan)					
Basic earnings per share <sup>2</sup>	0.38	0.33	0.25	N/A	N/A
Net cash per share generated by operating activities	0.69	(0.28)	(0.08)	N/A	N/A
	<b>31 December 2011</b>	31 December 2010	31 December 2009	31 December 2008	31 December 2007
<b>ASSET QUALITY (%)</b>					
Non-performing loan ratio <sup>7</sup>	1.55	2.03	2.91	4.32	23.57
Allowance to non-performing loans <sup>8</sup>	263.10	168.05	105.37	63.53	93.42
Allowance to total loans <sup>9</sup>	4.08	3.40	3.06	2.75	22.02
<b>CAPITAL ADEQUACY (%)</b>					
Core capital adequacy ratio <sup>10</sup>	9.50	9.75	7.74	8.04	N/A
Capital adequacy ratio <sup>10</sup>	11.94	11.59	10.07	9.41	N/A
Total equity to total assets ratio	5.56	5.25	3.86	4.14	N/A
Risk-weighted assets to total assets ratio	54.71	52.08	49.23	48.42	N/A
<b>DATA PER SHARE (RMB Yuan)</b>					
Net assets per share attributable to equity holders of the Bank	2.00	1.67	1.32	1.12	N/A

Notes:

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

## Other Financial Indicators

		Regulatory Standard	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Liquidity ratio <sup>1</sup> (%)	RMB	≥25	<b>40.18</b>	38.36	40.99	44.79	37.04
	Foreign Currency	≥25	<b>154.66</b>	127.03	122.54	205.54	123.39
Loan-to-deposit ratio <sup>2</sup> (%)	RMB and	≤75	<b>58.50</b>	55.77	55.19	50.84	65.71
	Foreign Currency						
Percentage of loans to the largest customer <sup>3</sup> (%)		≤10	<b>2.80</b>	3.18	4.41	6.04	N/A
Percentage of loans to top ten customers <sup>4</sup> (%)			<b>16.31</b>	18.45	22.47	33.96	N/A
Loan migration ratio <sup>5</sup> (%)	Normal		<b>2.26</b>	3.10	5.00	12.67	5.53
	Special mention		<b>2.61</b>	4.15	6.51	14.46	9.66
	Substandard		<b>14.82</b>	24.34	39.33	55.58	36.56
	Doubtful		<b>5.41</b>	5.26	5.83	15.93	25.78

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



## Honors and Awards

**FORTUNE**

2011 Most Innovative Chinese Company



Rising Star Domestic Bank, China  
China's Most Promising Companies 2011 Awards



Hong Kong Corporate Governance Excellence Award



Silver Vision Award for the 2010 Annual Report



2010 Best Investor Relations Management for IPO



Treasury China 10 Integrated Awards  
— Best Cash Management Bank



Huichuan — Award of the Best Cash and  
Liquidity Management



The Leading Counter Party Bank in Asia Pacific for 2011  
The Leading Counterparty Bank in China for 2011



Best Cash Management Innovation Award  
Best Corporate Banking Innovation Award  
Best Assets Custody Award



Golden Wealth Management  
— 2011 Excellent Wealth Management Brand  
Golden Wealth Management  
— 2011 Best Banking Product Revenue Award  
Golden Wealth Management  
— 2011 Best Credit Card Devoted to Public Interests

21世纪经济报道  
21<sup>ST</sup> CENTURY BUSINESS HERALD

The third most competitive bank on  
2011 Asia Banks Competitiveness Ranking List  
2011 Most Socially Responsible Bank in Asia  
8th Chinese Best Corporate Citizen Award  
Best Risk Control Award

第一财经  
C B N

China Corporate Social Responsibility Ranking —  
Outstanding Enterprise Award  
Best Retail Loan Bank  
Best Cash Management Product Bank

证券时报

Best Investment Bank  
Best Bank in Financial Consultancy  
Best Bank in Syndicated Financing  
Best e-Banking Service  
Best Bank Website

理财周报  
Moneyweek | 财富风向标

2011 Best Banking Wealth Management Brand in China  
2011 Best Banking Wealth Management Product in China  
2011 Safest Credit Card in China

djp 中国中小商业企业协会  
CASME China Association For Small & Medium Commercial Enterprises

2011 Top 10 Commercial Banks Supporting the  
Development of SMEs

CECA  
中国电子商务协会

Golden Cup Prize “Excellent Demonstration Enterprise in  
the e-Banking Industry of 2011”  
Most Competitive e-Banking Brand of 2011  
Top 10 Customer Satisfaction e-Banking Brand of 2011

金融时报 FINANCIAL NEWS  
IFB 中国社会科学院  
金融研究所

Best Banking Service for Sannong of the Year

中国企业文化研究会  
CHINA CORPORATE CULTURE INSTITUTE

Top Ten Organizations of 30 Years of  
Corporate Culture Practice

和讯  
hexun.com

2011 Best Asset Custodian Bank  
Silver Award of 2011 Best Corporate Online Bank  
2011 Best Financial Service Website based on Customer  
Satisfaction

## Chairman's Statement

In 2011, we proactively responded to the complex external operating environment, strictly complied with the macro-economic policy of the government, accelerated the pace of reforms and development, and achieved satisfactory results. We recorded a net profit of RMB121,956 million for 2011, representing an increase of 28.5% compared to the previous year. Our return on average total assets and return on average equity were 1.11% and 20.46%, respectively. Our ranking in *Fortune* Global 500 had risen to No. 127 in 2011. At the end of 2011, the Bank was the fifth largest bank worldwide in terms of market capitalization. In the meantime, we have made significant progress in improving our corporate governance system, accelerating our business transformation, strengthening the County Area Banking Business and enhancing the basics of management. I hereby express my heartfelt gratitude for the support of our shareholders, customers and society, and for the continued hard work of our 450,000 employees, which together have contributed to the achievement of these results.

The re-election of the Board of Directors was completed at the beginning of 2012. Mr. ZHANG Guoming and Ms. XIN Baorong both resigned upon expiry of their terms with the Bank. Prior to this, Mr. XIANG Junbo resigned from his role as Chairman to serve the needs of the State in the financial sector. On behalf of the Board of Directors, I hereby express my sincere gratitude to the former session of the Board of Directors for their pioneering work and outstanding contributions, and welcome Mr. XIAO Shusheng and Mr. ZHAO Chao to our Board of Directors.

Over its extraordinary transformation in the past 60 years, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank, subsequently a state-controlled commercial bank and finally a public joint-stock commercial bank. Our restructuring and listing marked a new starting point, from where we began a new phase of developing our Bank as a first-class modern commercial bank. In recent years, our profitability has increased steadily, the amount and ratio of non-performing loans have decreased and all financial indicators have continued to improve. However, the complex external environment has imposed higher requirements on our operation and management, and our business transformation continues to be confronted with great challenges. The current session of the Board of Directors will formulate directions for providing services to the real economy, adhering to the philosophy of prudent operation, establishing specific development strategies, as well as continuing the corporate governance reforms and promotion of corporate culture, each with the aim of developing Agricultural Bank of China into a first-class commercial bank which caters to the needs of Sannong, leverages on the synergistic strengths between the Urban Areas and County Areas, engages in international market and provides diversified services.

**Adherence to the Philosophy of Prudent Operation.** Prudent operation is a fundamental premise for the sustainable development of Agricultural Bank of China and for it to be a long-lasting enterprise. In order to maintain prudent operation, **firstly**, we will adhere to the philosophy of maximizing our market capitalization. As a public joint-stock commercial bank, we will further consolidate our value-oriented operation, and continue to strengthen our value creation capability and enhance the value of the Bank, which provides a yardstick for performance. In order to enhance our intrinsic value, we will place equal emphasis on short-term results and sustainable profit growth, as well as the achievement of financial indicators, and promotion of core competitiveness and corporate governance. **Secondly**, we will stick to capital constraint. The Global Financial Crisis has revealed that an operation model overlooking capital constraints and with excessive leverage is not sustainable. Thus, we will adopt prospective approach to capital management, strengthen rigid controls of capital to assets, and align business development with the principles of capital adequacy and risk tolerance in order to change the expansive operation model whereby asset expansion calls for capital replenishment. We will endeavor to develop low capital-consuming businesses, reduce reliance on credit lending growth, and form a diversified customer structure, business structure and income structure. We are committed to a capital intensive development model with rational leverage ratios and higher capital returns. **Thirdly**, we will adopt a modern risk management philosophy. Against the backdrop of a tightening risk environment, it is necessary for us to further strengthen risk management, maintain prudent risk strategies, and ensure the business development and innovation of financial services are in line with the overall risk appetite. We will also consolidate economic capital management and emphasize the balance between risk and returns in the course of business operations by assessing revenue and performance levels on the basis of risk-adjusted capital returns. We will further strengthen the risk awareness of all employees by implementing stringent rules and management accountability policies to build a new risk management culture.

**Further Definition of Clear Development Strategies.** Clear and consistent development strategies are essential to develop long-term competitive advantages and realize sustainable development. We have always placed a high emphasis on development strategies and have established differentiated strategic objectives based on differentiated market positioning, business traditions, our own strengths and government policies. Our objective is to become a first-class commercial bank which caters to the needs of Sannong and leverages on the synergistic strengths between the Urban Areas and County Areas, engages in the international market and provides diversified services. Catering to the needs of Sannong is not only a requirement of the government, but also the foundation of our unique competitive advantage. Leveraging the synergistic strengths between the Urban Areas and County Areas is an important strategic measure which seeks to develop urban and county businesses into the “two engines” of growth as a response to the economic integration of Urban and County Areas. Based on the Bank’s own condition and with a prudent development strategy, we will gradually integrate into the international market in order to enhance our global servicing capability. We will also accelerate financial services innovations and extract customer value through the provision of diversified financial services so as to develop new sources of profit growth. Based on our branch network and customer situation, we will maintain our core strategy of developing the retail banking business and enhance the competitiveness of businesses in key urban areas. The implementation of our strategy will be strengthened by formulating regulations on resource allocation, performance assessment and incentives and will be reinforced by the development of a strategic dissemination system whereby all business operations develop in strict compliance with, and support, the strategies of the Bank.

**Continuous Deepening of Corporate Governance Reform.** Effective corporate governance is the cornerstone of risk resistance, return enhancement and sustainable development. We will continue to properly demonstrate the collective functions of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the Senior Management in forming an independent and coordinated operating mechanism with checks on powers and effective supervision. We will further improve the risk management and internal control to ensure risks of all types are identified, assessed and monitored in a timely manner and all businesses comply with the relevant laws and regulations. Reforms of internal audit system will be pushed forward to enhance its independence and professionalism in order to facilitate the development of risk management and compliance systems. The establishment of an effective incentive mechanism will be the major target of our next phase of reform. We will focus on developing a remuneration system on the basis of a scientific assessment and appraisal system, which will fully meet the requirements of maximizing shareholders' value, effective execution of strategies and achieving sustainable development.

**Promotion of Corporate Culture.** Corporate culture is the unique spirit and value of an enterprise shaped over the long term development of its business operations differentiating it from other enterprises and serving as an essential part of the core competitiveness of the enterprise. We will accelerate the establishment of a new corporate ideology system and an advanced corporate culture. Our corporate culture will cohere with all employees' spirit and will demonstrate our core values, which will not only inherit the outstanding tradition of the Bank, but also reflect the operational ideology of the modern corporation. We will not only be devoted to the innovation and improvement of corporate culture, but also to its application in our operation.

2012 is a pivotal year in the implementation of the 12th Five-Year Plan in China. It also marks the start of a new phase of building our Bank as a first-class modern commercial bank. By adhering to our prudent approach of steady development and through a combination of continuing to maintain consistent policies and stable operations, consolidating and building upon the results of our internal reforms and development, further transforming our operational mechanism and development model, enhancing our capability to serve Sannong and the real economy, strictly controlling risks and improving operational efficiency, we continue to strive to achieve outstanding results.

Chairman: JIANG Chaoliang  
22 March 2012

## President's Statement

2011 marked the 60th anniversary of our Bank. During the course of the year, we maintained our philosophy of prudent operation and sustainable development as we proactively dealt with the turbulent international financial environment and the complex domestic economic and financial situation. We also implemented the national macro-control policies and regulatory requirements, strengthened our basics of management, strictly adhered to risk limitations, solidified our competitive advantages and continued to promote our business transformation. We have achieved steady growth in all our businesses and successfully fulfilled the business objectives of the Board of Directors.

**Significant Growth in Our Core Businesses and Further Enhancement in Operating Results and Efficiency.** In response to challenges brought by tightened monetary policies, acceleration in interest rate liberalization and growing competition, we continued with the implementation of our marketing system and the enhancement of competitive capability and, by fully leveraging the advantages brought by our extensive branch network, customer base, liquidity and low funding cost, we further enhanced our product and service innovations which promoted stability and the synergy of our businesses. At the end of 2011, the total assets of our Bank amounted to RMB11,680 billion, representing an increase of 13.0% compared to the end of the previous year. Our total deposits and loans increased by RMB734,121 million and RMB671,964 million compared to the end of the previous year, respectively. While the growth of both deposits and loans slowed down, our net profit increased by 28.5% to RMB121,956 million over the last year. Net interest margin increased by 28 basis points, cost-to-income ratio decreased by 2.69 percentage points and return on average total assets increased by 0.12 percentage point, as compared to the previous year, maintaining the good momentum in our development since our stock reform.

**Continue to Strengthen Competitive Advantage by Coordinating the Development of Our Urban and County Area Banking Businesses.** We followed the government's lead in coordinating the development of Urban and County Areas and capitalized on the demand for financial services from both markets. We further enhanced the distribution network in Urban and County Areas and accelerated the synergistic development between the Urban and County Banking Businesses. While expanding the coverage of our basic financial services in the Rural Areas, we also proactively developed the middle and high-end market segments in County Areas. Our County Area Banking Business showed a healthy growth trend and our leading position in the County Areas has been further protruded. At the end of 2011, the growth rates of deposits and loans in the County Areas were higher than the bank's average for two and three consecutive years. The return on average total assets increased to 1.04% in 2011 from 0.62% in 2009. During the same period, we focused on the strategic development of our business in major cities. Through favourable policies and enhanced procedures, the internal impetus driving the development of the Urban Banking Business was strengthened and our position as a major bank was further consolidated.

**Continuously Optimizing the Business Structure and Achieving Significant Progress in the Business Transformation.** In line with the direction of China's 12th Five-Year Plan, and having capital constraint management as our focus, we further accelerated the restructuring of our business structure and transformation. We employed various management tools to direct our credit resources to areas with higher relative margins and returns. The proportion of loans to high-quality corporate customers continuously increased. We proactively developed businesses with low capital consumption such as fee- and commission-based businesses and financial market business. The income structure has been continuously optimized and capital efficiency and return on capital were further improved which achieved an increase in the fee and commission income of 49.0% compared to the corresponding period of previous year and accounted for 18.10% of our total operating income in 2011 by increasing participation in financial markets and improving investment capability. We have continued the transformation of our retail banking business by standardizing the layout of 13,000 branch outlets since 2008, and leveraging our branch outlets and wealth management centers to optimize our value-added services for VIP customers and further increase the proportion of mid-to high-end customers. In addition, we strengthened our e-banking services system and upgraded to the new generation of e-banking channels, such as internet banking, 3G phone banking and e-commerce. The proportion of transactions conducted via our e-banking channels reached 62.6%. We continued to steadily promote the pilot program of integrated operation and our internationalization strategy. Our overseas operations continued to accelerate their organic growth, and at the same time provided marketing support to our domestic business, further enhancing the synergies between our domestic and overseas businesses.

**Steady Improvement in Assets Quality and Risk Coverage.** We closely monitored the risk exposure to customers in key sectors and continuously strengthened our comprehensive risk management system. We improved our credit risk management system, centering it around industry-specific credit policy, industry-specific credit limits and customer list-based management. We adhered to prudent loan classification and prudent provision policy, whilst continuing to enhance our ability to proactively, prospectively and effectively control our risks. At the end of 2011, the non-performing loans and non-performing loan ratios had both declined for four consecutive years. The ability to withstand risks was further strengthened as the allowance to non-performing loans ratio increased to 263.10% and allowance to total loans ratio increased to 4.08%. Our capital adequacy ratio stood at 11.94%, representing an increase of 0.35 percentage points as compared to the end of the previous year. We also met the requirements of the CARPALs Supervision Index System imposed by the CBRC.

**Further Enhancement of Our Mechanism Development and Continuous Improvement in Our Basics of Management.** By focusing on systems, procedures, IT system optimization and staff behaviour management, we further strengthened our basics of management under the theme of "Year for Further Improvement in Basics of Management". The internal control management and the ability to prevent the occurrence of fraud were significantly improved. We accelerated the development of our modern operating systems. Centralization of operation, authorization and monitoring, respectively, were extensively promoted. Our operational back-office center is one of the most advanced among large domestic banks in China. We completed the reform in respect of our fund and financial centralization, which made fund and financial management significantly more refined and efficient. Significant progress was made in the development of the new generation of core banking system BoEing. We proactively implemented human resources reforms and staff training, and strengthened our corporate culture and branding. Our service quality and corporate image continued to improve.

Looking forward to 2012, although the overall global economy remains challenging and potential risks continue to exist in the domestic economy and financial services, the underlying fundamentals and steady growth of the Chinese economy remain unchanged and there continues to be many new opportunities for the Chinese banking sector. We will capitalize on the changes in market conditions and regulations, and will be more focused on prudent operation, reforms and innovation, as well as risk management. We will place our effort to refine our business structure and transforming our development model. We will accelerate service and product innovations to improve the ability to serve the real economy. We will strengthen County Area branches' capabilities in order to increase the efficiency level and value contribution of the County Area Banking Business. We will further promote business transformation by accelerating the development of our business in Urban Areas and nurturing the advantage of the cohesive development of our business in Urban and County Areas. Through enhancement of the mechanism development, establishment of process banking, and improvement in risk control and basics of management, it is expected that we will achieve a steady, balanced and sustainable business and will provide investors with better financial performance.

President: ZHANG Yun  
22 March 2012



# Discussion and Analysis

## Environment and Prospects

### *Economic and Financial Environment*

In 2011, the growth of the global economy slowed down significantly while the sovereign-debt problem of developed countries tended to be worsened. According to statistics produced by the IMF, the global economic growth rate was 3.8% in 2011, representing a 1.2 percentage points decrease compared to the previous year, of which the economic growth rates of the United States, the Eurozone and Japan were 1.8%, 1.6% and -0.9%, respectively, while the overall growth rate of emerging economies was 6.2%.

Subject to the uncertainty of economic recovery, the United States, the United Kingdom and Japan continued with their quantitative easing policies while the Eurozone and most of the emerging economies have started to loosen their fiscal policies. The European Central Bank reduced interest rates two consecutive times in the fourth quarter subsequent to two raises in interest rates in the second and third quarters of 2011, respectively. Brazil, India and Russia have also taken the step of reducing interest rates.

The worsening European debt crisis and the rating downgrade of U.S. sovereign debt by Standard and Poor's in August triggered volatility in the global financial market. The U.S. Dollar index recovered from a drop in the early part of the year, with an overall increase of 1.6% in 2011. In the first half of 2011, as a result of the second round of Quantitative Easing ("QE2") by the U.S. Federal Reserve, the interest arbitrage capital flowed out from the U.S., hence, the U.S. Dollar index volatility declined. In the second half of 2011, the worsening European debt crisis and the end of QE2 led capital to flow back to the U.S., and hence the U.S. Dollar index rose significantly. In the stock markets, the Dow Jones Industrial Average Index increased by 5.53% in 2011, while the FTSE 100 Index and Nikkei 225 Index declined by 5.55% and 17.34%, respectively. Global commodity prices dropped after initial rises, and the CRB spot price index continued to decline from its apex, reached at the beginning of the second quarter, and recorded a decrease of 7.36% throughout the year.

In 2011, China's economy recorded steady and rapid growth. The economic growth drivers shifted from stimulation by government policies to market forces. China's 2011 GDP amounted to RMB47.16 trillion, representing an increase of 9.2% over the previous year and the growth rate decreased 1.1 percentage points as compared to the previous year. Total fixed asset investment amounted to RMB30.19 trillion, representing an increase of 23.8% over the previous year and the growth rate decreased by 0.7 percentage point as compared to the previous year. Total retail sales of consumer goods amounted to RMB18.12 trillion, representing an increase of 17.1% over the previous year and the growth rate decreased by 1.3 percentage points as compared to the previous year. Total volume of imports and exports amounted to USD1,898.6 billion and USD1,743.5 billion, representing increases of 20.3% and 24.9% over the previous year, and the growth rates were down by 11.0 and 13.9 percentage points as compared to the previous year, respectively. In 2011, the Consumer Price Index (CPI) grew by 5.4%, which demonstrated a declining trend after an initial rise at the beginning of the year. Commodity prices remained high over the course of the year due to rising production costs and imported inflationary pressures. With the effects of control policies and the decline in global commodity prices, prices have significantly dropped since August. In December 2011, the growth rate of CPI was at the lowest of the year at 4.1% compared to the corresponding month of the previous year.

China continued to implement favorable fiscal policies and prudent monetary policies in 2011, focusing on economic restructuring and the improvement of the population's livelihood. The PBOC raised the statutory deposit reserve ratio six times and raised interest rate three times during the course of the year and extended bases of statutory deposit reserve. In view of declining commodity prices and the continuing net reduction of foreign currency, the PBOC reduced the statutory deposit reserve ratio on 5 December 2011 to improve market liquidity.

In 2011, the growth of money supply and lending in China slowed down remarkably. At the end of the year, broad money supply (M2) amounted to RMB85.16 trillion while narrow money supply (M1) amounted to RMB28.98 trillion, representing increases of 13.6% and 7.9% as compared to the previous year, while growth rate decreased by 6.1 and 13.3 percentage points as compared to the previous year, respectively. The outstanding RMB loans amounted to RMB54.79 trillion. Newly-granted RMB loan amounted to RMB7.47 trillion, which represented a decrease of RMB0.48 trillion compared to the previous year. The accumulated volume of intra-bank market transactions amounted to RMB196.54 trillion while the average daily turnover amounted to RMB786.1 billion, up by 9.5% over the previous year. At the end of the year, the median price of RMB against USD was at 6.3009, up by 5.11% during 2011. Against the backdrop of the slowdown in the recovery of the global economy and China's economic growth, the SSE Composite Index and SZSE Component Index dropped by 21.7% and 28.4% during the year, respectively. Market capitalization of publicly traded securities on the Shanghai and Shenzhen stock exchanges amounted to RMB16.5 trillion, down by RMB2.8 trillion compared to the previous year.

### *Prospects*

Looking ahead to 2012, the global economic recovery will be subject to a number of instabilities and uncertainties as a result of the lagging impact of the Global Financial Crisis. In China, the pressure of slowing economic growth and the pressure of inflation on prices will both continue and the pace of economic restructuring will be increased. The government is expected to continue to implement favorable fiscal policies and prudent monetary policies with appropriate adjustments where necessary. The government will continue to boost domestic demands, support the development of real economy, launch more encouraging and favorable measures to strengthen agriculture and benefit farmers, and protect and improve the population's livelihood. In 2012, money supply and lending environment of the China banking industry is expected to be neutral with a slight tendency towards a more stringent environment. As for the regulatory environment, the banking regulatory authorities will continue to strengthen prudent regulations and market-oriented reforms, enhance regulations on systematically important banks, and promote commercial banks to better serve the real economy and intensify the system and mechanism refining.

In 2012, we aim to become a first-class commercial bank, and will sustain prudent operation and accelerate business transformation. We will improve our services for Sannong and strengthen our basics of management, core competitiveness and sustainability in order to overcome the challenges of a number of risks and uncertainties.

Firstly, we will contribute to supporting the development of the real economy. We will expand our business coverage and credit facilities in key development regions, such as the key economic development zones identified by national planning and State-level industrial zones, and provide greater support for the emerging strategic industry and modern service industry. Moreover, as part of our key strategies, we will focus on the development of our retail business to fulfill the growing demand for investment and wealth management, credit consumption and online financial payment by the residents in both Urban and County Areas. We will also refine our credit policy, systems and approval procedures for small and micro enterprises, improve the capability of the designated units serving this segment and explore the possibility of establishing a specific retail business model for small and micro enterprises business.

Secondly, we will promote the synergistic development of banking businesses in both County Areas and Urban Areas. We will strive to grasp business opportunities brought by the integration of Urban and County Areas to strengthen the synergistic advantages between both areas of the Bank. We will push forward the pilot reform program of the County Area Banking Business and stimulate the vitality of County Area branches. Capturing the opportunities arising from industrialization, urbanization and agricultural modernization as well as development of new rural areas, we will enhance our service standard of the County Area Banking Business in order to consolidate the leading position of the Bank in the County Areas. We will prioritize business development in major cities in order to strengthen our leading position among banks in urban areas.

Thirdly, we will adhere to prudent risk appetite and a strict approach to risk limitation. We aim to strengthen our risk management system around our framework, tools and culture. We will enhance the application of Internal Ratings-based (IRB) approach for credit risk, and research and development on Internal Models Approach (IMA) for market risk and Advanced Measurement Approaches (AMA) for operation risk, to increase our standards in quantitative risk management. We will strengthen risk control in businesses regarding the real estate industry, local government financing vehicles and Industries with high energy consumption, high pollution or overcapacity, optimize the industry-specific credit policies and expand the coverage of customer list-based management.

Lastly, we will further strengthen our basics of management. We will further improve our corporate governance and strengthen the implementation of a supervision framework. We will implement human resources reforms and refine the incentive and restraint mechanism. We will continue to adopt a policy of “centralized operation, centralized authorization and centralized monitoring”, intensify operational system and enhance efficient and standardized operation. In addition, we will strengthen our product innovation synergies between our Head Office and branches, establish a product innovation model able to respond quickly to market conditions and build a series of competitive brands. We will accelerate the establishment of an information technology management system to enhance the overall development and utilization efficiency of information resources, with the aim of establishing a first-class technical support platform in China.

## Financial Statement Analysis

### *Income Statement Analysis*

In 2011, we achieved a net profit of RMB121,956 million, representing an increase of RMB27,049 million or 28.5% over the previous year. This was primarily due to the increase in net interest income and net fee and commission income, which was partly offset by the increase in operating expenses, provisions for impairment losses on assets and income tax expense.

### *Changes of Key Income Statement Items*

*In millions of RMB, except for percentages*

<b>Item</b>	<b>2011</b>	2010	Increase/ (decrease)	Growth rate (%)
Net interest income	<b>307,199</b>	242,152	65,047	26.9
Net fee and commission income	<b>68,750</b>	46,128	22,622	49.0
Other non-interest income	<b>3,807</b>	3,973	(166)	-4.2
<b>Operating income</b>	<b>379,756</b>	292,253	87,503	29.9
Less: Operating expenses	<b>157,330</b>	128,107	29,223	22.8
Provisions for impairment losses on assets	<b>64,225</b>	43,412	20,813	47.9
<b>Profit before tax</b>	<b>158,201</b>	120,734	37,467	31.0
Less: Income tax expense	<b>36,245</b>	25,827	10,418	40.3
<b>Net profit</b>	<b>121,956</b>	94,907	27,049	28.5
Attributable to:				
Equity holders of the Bank	<b>121,927</b>	94,873	27,054	28.5
Minority interests	<b>29</b>	34	(5)	-14.7

### Net Interest Income

Net interest income is the major component of our operating income, and accounted for 80.9% of our total operating income in 2011. In 2011, net interest income was RMB307,199 million, representing an increase of RMB65,047 million compared to the previous year.

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

*In millions of RMB, except for percentages*

<b>Item</b>	<b>Average balance</b>	<b>2011 Interest income/expense</b>	<b>Average yield/cost (%)</b>	<b>Average balance</b>	<b>2010 Interest income/expense</b>	<b>Average yield/cost (%)</b>
<b>Assets</b>						
Loans and advances to customers	5,334,557	322,305	6.04	4,616,931	240,900	5.22
Debt securities investments <sup>1</sup>	2,502,600	84,266	3.37	2,564,854	78,247	3.05
Non-restructuring-related debt securities	1,898,596	64,701	3.41	1,871,704	56,380	3.01
Restructuring-related debt securities <sup>2</sup>	604,004	19,565	3.24	693,150	21,867	3.15
Balances with central banks	2,207,555	37,086	1.68	1,641,248	25,994	1.58
Amounts due from banks and other financial institutions <sup>3</sup>	728,333	29,264	4.02	597,395	12,519	2.10
<b>Total interest-earning assets</b>	<b>10,773,045</b>	<b>472,921</b>	<b>4.39</b>	<b>9,420,428</b>	<b>357,660</b>	<b>3.80</b>
Allowance for impairment losses <sup>4</sup>	(200,063)			(147,913)		
Non-interest-earning assets <sup>4</sup>	475,567			411,902		
<b>Total assets</b>	<b>11,048,549</b>			<b>9,684,417</b>		
<b>Liabilities</b>						
Deposits from customers	9,187,454	140,606	1.53	8,199,478	102,620	1.25
Amounts due to banks and other financial institutions <sup>5</sup>	724,924	21,646	2.99	660,881	11,007	1.67
Other interest-bearing liabilities <sup>6</sup>	94,283	3,470	3.68	58,707	1,881	3.20
<b>Total interest-bearing liabilities</b>	<b>10,006,661</b>	<b>165,722</b>	<b>1.66</b>	<b>8,919,066</b>	<b>115,508</b>	<b>1.30</b>
Non-interest-bearing liabilities <sup>4</sup>	406,021			357,407		
<b>Total liabilities</b>	<b>10,412,682</b>			<b>9,276,473</b>		
<b>Net interest income</b>		<b>307,199</b>			<b>242,152</b>	
<b>Net interest spread</b>			<b>2.73</b>			<b>2.50</b>
<b>Net interest margin</b>			<b>2.85</b>			<b>2.57</b>

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

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

*In millions of RMB*

	<u>Increase/(decrease) due to</u>		Net increase/ (decrease)
	Volume	Interest Rate	
<b>Assets</b>			
Loans and advances to customers	43,358	38,047	81,405
Debt securities investments	(2,096)	8,115	6,019
Balances with central banks	9,514	1,578	11,092
Amounts due from banks and other financial institutions	5,261	11,484	16,745
Changes in interest income	56,037	59,224	115,261
<b>Liabilities</b>			
Deposits from customers	15,120	22,866	37,986
Amounts due to banks and other financial institutions	1,912	8,727	10,639
Other interest-bearing liabilities	1,309	280	1,589
Changes in interest expense	18,341	31,873	50,214
<b>Change in net interest income</b>	<b>37,696</b>	<b>27,351</b>	<b>65,047</b>

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

#### *Net Interest Margin and Net Interest Spread*

In 2011, the net interest margin increased by 28 basis points to 2.85%, and the net interest spread increased by 23 basis points to 2.73%. Increases in net interest margin and net interest spread were mainly because: (1) several consecutive increases by the PBOC in the benchmark interest rate since the second half of 2010 which resulted in re-pricing of deposits and loans, but the increase in average yield of loans is higher than that of average cost of deposits, leading to a wider interest spread; (2) we continuously adjusted loan structure and enhanced the pricing capability of loans by strengthening the management of loan pricing; and (3) the yield of non-restructuring-related debt securities and amounts due from banks and other financial institutions rose resulting from the increase in the statutory deposit reserve ratio and benchmark interest rates of loans and deposits by the PBOC, and tight market liquidity.

## Interest Income

We achieved an interest income of RMB472,921 million in 2011, representing an increase of RMB115,261 million over the previous year. The increase in interest income was primarily due to the increase in the average balances of interest-earning assets and the increase in the average yield of interest-earning assets.

### *Interest Income from Loans and Advances to Customers*

Interest income from loans and advances to customers increased by RMB81,405 million or 33.8% over the previous year to RMB322,305 million. The increase in interest income was primarily due to the increase of RMB717,626 million in the average balances and the increase of 82 basis points in the average yield.

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

*In millions of RMB, except for percentages*

Item	2011			2010		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	3,833,926	238,565	6.22	3,377,888	182,656	5.41
Short-term corporate loans	1,572,079	97,125	6.18	1,367,125	71,176	5.21
Medium- and long-term corporate loans	2,261,847	141,440	6.25	2,010,763	111,480	5.54
Discounted bills	101,166	6,825	6.75	185,834	5,706	3.07
Retail loans	1,305,467	74,833	5.73	1,001,034	51,465	5.14
Overseas and others	93,998	2,082	2.21	52,175	1,073	2.06
<b>Total loans and advances to customers</b>	<b><u>5,334,557</u></b>	<b><u>322,305</u></b>	<b><u>6.04</u></b>	<b><u>4,616,931</u></b>	<b><u>240,900</u></b>	<b><u>5.22</u></b>

Interest income from corporate loans increased by RMB55,909 million or 30.6% to RMB238,565 million compared to the previous year. The increase was primarily due to the increase of RMB456,038 million in the average balances in corporate loans and the increase of 81 basis points in the average yield. The increase in the average yield was primarily due to (1) several consecutive increases in the PBOC benchmark interest rates since the second half year of 2010 leading to corresponding increases in interest rate of loans; and (2) further improvement in the pricing management of loans contributing to higher interest premium.

Interest income from discounted bills increased by RMB1,119 million or 19.6% to RMB6,825 million compared to the previous year. The increase was primarily due to the increase of 368 basis points to 6.75% in the average yield, which was partly offset by the decrease of RMB84,668 million in the average balances. The increase in average yield was mainly due to the increase in the discounted bills market interest rate resulting from the tight market liquidity.

Interest income from retail loans increased by RMB23,368 million or 45.4% to RMB74,833 million compared to the previous year. The increase was primarily due to the increase of RMB304,433 million in the average balances and the increase of 59 basis points in the average yield. The increase in the average yield was mainly because (1) the PBOC increased the benchmark interest rate consecutively for a number of times since the second half year of 2010 resulted in the increase in interest rate of loans; and (2) we adopted different policies for residential mortgage loans in accordance with the PRC's real estate macro-control policy, which led to the increase in the interest rate for the newly granted residential mortgage loans.

Interest income from overseas and other loans increased by RMB1,009 million or 94.0% to RMB2,082 million compared to the previous year. The increase was mainly due to an increase of RMB41,823 million in the average balances and an increase of 15 basis points in the average yield.

#### *Interest Income from Debt Securities Investments*

Interest income from debt securities investments was the second largest component of our interest income. In 2011, the interest income from debt securities investments increased by RMB6,019 million from the previous year to RMB84,266 million. The increase was primarily due to an increase of 32 basis points in the average yield, which was partly offset by a decrease of RMB62,254 million in the average balances.

Interest income from restructuring-related debt securities amounted to RMB19,565 million, representing a decrease of RMB2,302 million compared to the previous year. The decrease was mainly due to the MOF's successive repayment of part of our MOF receivables.

Interest income from non-restructuring-related debt securities increased by RMB8,321 million to RMB64,701 million compared to the previous year. The increase was mainly due to the increase of RMB26,892 million in the average balances and the increase of 40 basis points in the average yield. The increase in the average yield was mainly because: (1) the market yield of debt securities increased as a result of the PBOC's several consecutive increases of statutory deposit reserve ratio and benchmark interest rates for deposits and loans as well as the tight market liquidity; and (2) we enhanced the analysis and prediction of interest rate movements and bond market, and took the initiative to adjust the portfolio of non-restructuring-related debt securities and investment duration. Having considered risk control, we moderately increased investments in bonds issued by the PRC policy banks and the bonds issued by other financial institutions and corporations with relatively high yield.

#### *Interest Income from Balances with Central Banks*

Interest income from balances with central banks increased by RMB11,092 million to RMB37,086 million compared to the previous year. The increase was mainly due to the increase of RMB566,307 million in the average balances and a slight increase of 10 basis points in the average yield. The increase in the average balances was primarily due to the increase in the balances of deposits from customers and the consecutive increases of the statutory deposit reserve ratio, leading to the increase in the statutory deposit reserve. The increase in the average yield was mainly because of a decrease in the proportion of surplus deposit reserve, which has a relatively lower yield.



### *Interest Income from Amounts Due from Banks and Other Financial Institutions*

Interest income from amounts due from banks and other financial institutions increased by RMB16,745 million to RMB29,264 million compared to the previous year. The increase was primarily due to the increase of 192 basis points in the average yield to 4.02% and the increase of RMB130,938 million in the average balances. The increase in the average yield was mainly due to the consecutive increases of the statutory deposit reserve ratio and the benchmark interest rates by the PBOC and the tight market liquidity, which resulted in the increase in interest rates of the money market.

### *Interest Expense*

Interest expense increased by RMB50,214 million to RMB165,722 million compared to the previous year. The increase was mainly due to the increase in the average cost from 1.30% in 2010 to 1.66% in 2011 and the increase of RMB1,087,595 million in the average balances.

### *Interest Expense on Deposits from Customers*

Interest expense on deposits from customers increased by RMB37,986 million to RMB140,606 million compared to the previous year. The increase was mainly due to the increase in average cost from 1.25% in 2010 to 1.53% in 2011 and the increase of RMB987,976 million in the average balances. The increase in the average cost was primarily due to several consecutive increases of the benchmark interest rates of deposits by the PBOC since the second half of 2010.

### *Analysis of Average Cost of Deposits by Product*

*In millions of RMB, except for percentages*

<b>Item</b>	<b>Average balance</b>	<b>2011 Interest expense</b>	<b>Average cost (%)</b>	<b>Average balance</b>	<b>2010 Interest expense</b>	<b>Average cost (%)</b>
Corporate deposits						
Time	1,213,491	34,134	2.81	989,704	22,485	2.27
Demand	2,617,099	19,361	0.74	2,411,527	14,113	0.59
Sub-total	3,830,590	53,495	1.40	3,401,231	36,598	1.08
Retail deposits						
Time	2,766,741	74,412	2.69	2,541,506	57,860	2.28
Demand	2,590,123	12,699	0.49	2,256,741	8,162	0.36
Sub-total	5,356,864	87,111	1.63	4,798,247	66,022	1.38
Total deposits from customers	9,187,454	140,606	1.53	8,199,478	102,620	1.25

### *Interest Expense on Amounts Due to Banks and Other Financial Institutions*

Interest expense on amounts due to banks and other financial institutions increased by RMB10,639 million to RMB21,646 million compared to the previous year. The increase was mainly due to the increase in average cost from 1.67% in 2010 to 2.99% in 2011 and the increase in the average balances by RMB64,043 million. The increase in the average cost was primarily due to the tight market liquidity, which resulted in the continuous increase of interest rates of the money market.

### *Interest Expense on Other Interest-bearing Liabilities*

Interest expense on other interest-bearing liabilities increased by RMB1,589 million to RMB3,470 million compared to the previous year, mainly due to the increase in the average balances by RMB35,576 million and the increase in average cost from 3.20% in 2010 to 3.68% in 2011. The increase in the average balances was mainly due to the RMB50 billion subordinated bonds newly issued. The increase in the average cost was mainly due to re-pricing of the subordinated bonds previously issued with floating interest rate and the relatively higher interest rate for the subordinated bonds newly issued.

### *Net Fee and Commission Income*

In 2011, we gained net fee and commission income of RMB68,750 million, representing an increase of RMB22,622 million or 49.0% compared to the previous year. The proportion of net fee and commission income in our operating income was 18.10%, representing an increase of 2.32 percentage points over 2010. The increase in net fee and commission income was primarily because (1) we focused on the strategic development of the fee- and commission-based businesses and maintained the steady growth of the businesses by increasing the allocation of resources and optimizing the incentive program; (2) we accelerated the research and promotion of new businesses and new products in response to customers' increasingly diversified needs; and (3) we enhanced the synergies between the fee- and commission-based businesses and the asset and liability businesses, as well as between the traditional and emerging fee- and commission-based businesses.

### *Composition of Net Fee and Commission Income*

*In millions of RMB, except for percentages*

<b>Item</b>	<b>2011</b>	<b>2010</b>	<b>Increase/ (decrease)</b>	<b>Growth rate (%)</b>
Settlement and clearing fees	<b>19,696</b>	15,187	4,509	29.7
Consultancy and advisory fees	<b>19,489</b>	11,112	8,377	75.4
Agency commissions	<b>11,830</b>	9,813	2,017	20.6
Bank card fees	<b>10,828</b>	6,442	4,386	68.1
Electronic banking service fees	<b>4,461</b>	2,611	1,850	70.9
Credit commitment fees	<b>2,855</b>	1,610	1,245	77.3
Custodian and other fiduciary service fees	<b>1,672</b>	844	828	98.1
Others	<b>693</b>	525	168	32.0
<b>Fee and commission income</b>	<b>71,524</b>	48,144	23,380	48.6
Less: Fee and commission expenses	<b>2,774</b>	2,016	758	37.6
<b>Net fee and commission income</b>	<b>68,750</b>	46,128	22,622	49.0

Settlement and clearing fees increased by RMB4,509 million or 29.7% to RMB19,696 million compared to the previous year. The increase was mainly due to the continuous increase in fee income from settlements boosted by the wide network channels and customer base of the Bank, and the growth of income arising from the emerging businesses such as cash management.

Consultancy and advisory fees increased by RMB8,377 million or 75.4% to RMB19,489 million compared to the previous year. The increase was mainly due to the increase in the income from investment banking businesses such as financial advisory services, syndicated loans and bonds underwriting driven by the synergies with asset and liability business.

Agency commissions increased by RMB2,017 million or 20.6% to RMB11,830 million compared to the previous year. The increase was mainly due to the growth of insurance agency services, financial institution agency services and collection and payment agency services.

Bank card fees increased by RMB4,386 million or 68.1% to RMB10,828 million compared to the previous year. The increase was mainly due to the increase in fee income from bank card spending and the growth of emerging businesses such as bank card instalment.

Electronic banking service fees increased by RMB1,850 million or 70.9% to RMB4,461 million compared to the previous year. The increase was mainly attributable to our emphasis on the construction of electronic channels and acceleration of e-banking products innovation, which resulted in the increase in the income from Internet banking, tele-transfer machines and mobile finance businesses.

Credit commitment fees increased by RMB1,245 million or 77.3% to RMB2,855 million compared to the previous year. The increase was mainly due to the increase in commitment fee income from bank acceptance, guarantees to financial institutions and foreign guarantee businesses.

Custodian and other fiduciary service fees increased by RMB828 million or 98.1% to RMB1,672 million compared to the previous year. The increase was mainly due to an increase in income from wealth management custody business, receipt and payment custody business and insurance, fund and retirement pension custody business.

#### Other Non-interest Income

In 2011, other non-interest income amounted to RMB3,807 million, representing a decrease of RMB166 million over the previous year.

Net loss on financial instruments designated as at fair value through profit or loss was RMB2,307 million, which was mainly due to the increase in financial liabilities designated as at fair value through profit or loss.

Other operating net income was RMB5,791 million, representing an increase of 27.7% over the previous year, mainly due to the increase in the net exchange gain from the growth of foreign exchange settlement business of the Bank.

## Major Composition of Other Non-Interest Income

*In millions of RMB*

<b>Item</b>	<b>2011</b>	<b>2010</b>
Net trading gain/(loss)	<b>523</b>	(244)
Net (loss)/gain on the financial instruments designated as at fair value through profit or loss	<b>(2,307)</b>	435
Net loss on securities investment	<b>(200)</b>	(754)
Net income from other operations	<b>5,791</b>	4,536
	<hr/>	<hr/>
<b>Total</b>	<b>3,807</b>	<b>3,973</b>
	<hr/> <hr/>	<hr/> <hr/>

### Operating Expenses

In 2011, through our continuous efforts in optimizing cost budget and authorization management to strengthen cost control, our operating expenses increased by RMB29,223 million over the previous year to RMB157,330 million; and the cost-to-income ratio (excluding business tax and surcharges) decreased by 2.69 percentage points over the previous year to 35.84%.

Staff cost increased by RMB14,840 million to RMB81,970 million compared to the previous year, representing an increase of 22.1%, which was mainly due to (1) the increase of staff remuneration in line with the market condition, as well as the increase in performance-based salary in proportion to the growth of our operating results; and (2) the increase in early retirement benefits compared to 2010 as a result of changes in the relevant policies and the actuarial assumption.

General operating and administrative expenses increased by RMB6,816 million or 20.3% to RMB40,461 million compared to the previous year, mainly because we promoted operation transformation and increased strategic investments in key urban branches, the County Area Banking Business and renovation of branch outlets. The increase was also due to the fact that we carried out an incentive scheme linking with the growth of fee- and commission-based business and economic value added, which resulted in the increase in expenditures along with the growth of operating results.

Depreciation and amortization increased by RMB1,834 million or 16.2% over the previous year to RMB13,130 million, mainly because we increased the expenditures on the construction of electronic channels in recent years, resulting in an increase in the corresponding depreciation.

## Composition of Operating Expenses

*In millions of RMB, except for percentages*

<b>Item</b>	<b>2011</b>	2010	Increase/ decrease	Growth rate (%)
Staff costs	<b>81,970</b>	67,130	14,840	22.1
General operating and administrative expenses	<b>40,461</b>	33,645	6,816	20.3
Business tax and surcharges	<b>21,207</b>	15,505	5,702	36.8
Depreciation and amortization	<b>13,130</b>	11,296	1,834	16.2
Others	<b>562</b>	531	31	5.8
<b>Total</b>	<b><u>157,330</u></b>	<u>128,107</u>	<u>29,223</u>	<u>22.8</u>

### Provisions for Impairment Losses on Assets

In 2011, provisions for impairment losses on assets increased by RMB20,813 million to RMB64,225 million compared to the previous year.

Provisions for impairment losses on loans increased by RMB18,564 million to RMB62,100 million compared to the previous year, primarily because we assessed the uncertainties of macro-environment, adopted conservative approach in assessing operating risk, continued to increase the provision for impairment losses on loans on a collectively assessed basis. Our allowance to non-performing loans ratio continued to increase.

Provisions for impairment losses on other impairment losses amounted to RMB2,125 million, representing an increase of RMB2,249 million compared to the previous year, primarily because we increased allowance for impairment losses on financial assets such as debt securities investments and deposits and placements with banks and other financial institutions on a collectively assessed basis.

### Income Tax Expense

In 2011, our income tax amounted to RMB36,245 million, representing an increase of RMB10,418 million, or 40.3%, compared to the previous year. The increase was primarily due to the increase in our profit before tax. The effective tax rate was 22.9% in 2011, which was lower than the statutory tax rate. This was mainly because: (1) the interest income derived from the Chinese government bonds held by the Bank was exempted from the enterprise income tax; and (2) 90% of the interest income on small loans to rural households was included in the computation of taxable profits.

### Segment Information

We assessed our annual performance and determined the allocation of resources based on segment reports. The segment information was reported in the same manner as the basis of internal management and reporting. At present, we exercised management on all segments from perspectives of geographical segments, business lines and the County Area Banking Business.

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

*In millions of RMB, except for percentages*

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	218,628	57.6	161,388	55.2
Retail banking business	137,383	36.2	101,592	34.8
Treasury operations	22,844	6.0	28,164	9.6
Other business	901	0.2	1,109	0.4
<b>Total operating income</b>	<b>379,756</b>	<b>100.0</b>	<b>292,253</b>	<b>100.0</b>

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

*In millions of RMB, except for percentages*

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	50,033	13.2	34,243	11.7
Yangtze River Delta	85,045	22.4	66,668	22.8
Pearl River Delta	49,201	13.0	39,270	13.4
Bohai Rim	56,181	14.8	43,435	14.9
Central China	45,412	11.9	35,347	12.1
Western China	79,547	20.9	62,477	21.4
Northeastern China	12,231	3.2	9,017	3.1
Overseas and others	2,106	0.6	1,796	0.6
<b>Total operating income</b>	<b>379,756</b>	<b>100.0</b>	<b>292,253</b>	<b>100.0</b>

*Note:* Please refer to “Note 46 to the Financial Statements: Operating Segments — Geographical Operating Segments” for details of geographic segments.

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

*In millions of RMB, except for percentages*

Item	2011		2010	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	146,551	38.6	107,925	36.9
Urban Area Banking Business	233,205	61.4	184,328	63.1
<b>Total operating income</b>	<b>379,756</b>	<b>100.0</b>	<b>292,253</b>	<b>100.0</b>

### *Balance Sheet Analysis*

#### Assets

At 31 December 2011, our total assets amounted to RMB11,677,577 million, representing an increase of RMB1,340,171 million or 13.0% compared to the end of the previous year. Net loans and advances to customers increased by RMB610,855 million or 12.8%. Net investment securities and other financial assets increased by RMB100,621 million or 4.0%. Cash and balances with central banks increased by RMB404,750 million or 19.4% compared to the end of 2010, which was mainly due to consecutive increases in statutory deposit reserve ratio and the increase in deposits from customers of the Bank. Deposits and placements with banks and other financial institutions increased by RMB171,289 million or 98.9%, which was mainly because we increased the credit lending. Financial assets held under resale agreements increased by RMB4,109 million or 0.8%, which was mainly due to the increase in bonds held under resale agreements.

#### Key Items of Assets

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	5,628,705	—	4,956,741	—
Less: Allowance for impairment losses on loans	229,842	—	168,733	—
Loans and advances to customers, net	5,398,863	46.2	4,788,008	46.3
Investment securities and other financial assets, net	2,628,052	22.5	2,527,431	24.5
Cash and balances with central banks	2,487,082	21.3	2,082,332	20.1
Deposits and placements with banks and other financial institutions	344,557	3.0	173,268	1.7
Financial assets held under resale agreements	529,440	4.5	525,331	5.1
Others	289,583	2.5	241,036	2.3
<b>Total assets</b>	<b>11,677,577</b>	<b>100.0</b>	<b>10,337,406</b>	<b>100.0</b>

## Loans and Advances to Customers

At 31 December 2011, total loans and advances to customers amounted to RMB5,628,705 million, representing an increase of RMB671,964 million or 13.6% over the end of the previous year.

### Distribution of Loans and Advances to Customers by Business Type

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	<b>5,522,635</b>	<b>98.1</b>	4,881,036	98.5
Corporate loans	<b>3,989,570</b>	<b>70.9</b>	3,595,440	72.6
Discounted bills	<b>102,545</b>	<b>1.8</b>	141,123	2.8
Retail loans	<b>1,430,520</b>	<b>25.4</b>	1,144,473	23.1
Overseas and others	<b>106,070</b>	<b>1.9</b>	75,705	1.5
<b>Total</b>	<b><u>5,628,705</u></b>	<b><u>100.0</u></b>	<b><u>4,956,741</u></b>	<b><u>100.0</u></b>

Corporate loans increased by RMB394,130 million or 11.0% over the end of the previous year to RMB3,989,570 million, primarily because we improved the services for real economy and focused on satisfying credit needs of national key economic zones, major projects, national industrial zones, strategic emerging industries and small and micro enterprises. We optimized the loan structure, allocated more credit resources for major cities and the County Area Banking Business and achieved steady growth of our loans.

Retail loans increased by RMB286,047 million or 25.0% over the end of the previous year to RMB1,430,520 million, primarily because we seized the opportunities of steady growth of household income and consumption expenditures to promote the transformation of retail business and prioritize the development of retail loans. We promoted innovation of retail loan products and adopted wholesale marketing, synergistic marketing and standardized marketing of loans. As a result, retail loans achieved steady growth.

The discounted bills decreased by RMB38,578 million or 27.3% over the end of the previous year to RMB102,545 million, primarily because we actively adjusted the loan structure and reduced the scale of discounted bills to a moderate extent to satisfy the high-quality customers who had loan demands under the circumstances of the increasing macro-economic control by the government and tight credit condition in China.

Overseas and other loans increased by RMB30,365 million or 40.1% over the end of the previous year to RMB106,070 million, which was mainly because we enhanced the synergistic marketing domestically and overseas, resulting in growth of trade finance in overseas branches.



Distribution of Corporate Loans by Maturity

*In millions of RMB, except for percentages*

<b>Item</b>	<b>31 December 2011</b>		31 December 2010	
	<b>Amount</b>	<b>Percentage (%)</b>	Amount	Percentage (%)
Short-term corporate loans	<b>1,698,960</b>	<b>42.6</b>	1,412,390	39.3
Medium- and long-term corporate loans	<b>2,290,610</b>	<b>57.4</b>	2,183,050	60.7
<b>Total</b>	<b><u>3,989,570</u></b>	<b><u>100.0</u></b>	<b><u>3,595,440</u></b>	<b><u>100.0</u></b>

Short-term corporate loans increased by RMB286,570 million or 20.3%. Medium- and long-term corporate loans increased by RMB107,560 million or 4.9%, representing a decrease of 3.3 percentage points over the end of the previous year to 57.4% as a percentage of our corporate loans.

## Distribution of Corporate Loans by Industry

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,204,029	30.2	1,046,317	29.3
Production and supply of power, gas and water	451,082	11.3	394,414	11.0
Real estate <sup>1</sup>	497,241	12.5	543,625	15.0
Transportation, logistics and postal services	458,781	11.5	384,798	10.7
Retail and wholesale	388,818	9.7	292,209	8.1
Water, environment and public utilities management	182,064	4.6	213,705	5.9
Construction	169,323	4.2	148,799	4.1
Mining	148,521	3.7	115,779	3.2
Leasing and commercial services	258,432	6.5	210,882	5.9
Information transmission, computer services and software	14,640	0.4	18,788	0.5
Others <sup>2</sup>	216,639	5.4	226,124	6.3
<b>Total</b>	<b>3,989,570</b>	<b>100.0</b>	<b>3,595,440</b>	<b>100.0</b>

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

2. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

The gross loans to corporate customers in the five major industries, including manufacturing, production and supply of power, gas and water, real estate, transportation, logistics and postal services and retail and wholesale, accounted for 75.2% of our total corporate loans, representing an increase of 1.1 percentage points compared to the end of the previous year. The three industries with the highest growth in proportion to our total corporate loans were retail and wholesale, manufacturing, and transportation, logistics and postal services, while real estate industry had the largest decrease in proportion to total corporate loans.

During the reporting period, we continued to improve industry-specific risk exposure limit management and customer list-based management, enhanced the credit supports for dominant industries, controlled the supply of credit facilities to real estate industry, local government financing vehicles and Industries with high energy consumption, high pollution or overcapacity and optimized industry loans structure according to the industry policy of the 12th Five-Year Plan of the State and the development plans of national key zones.

## Distribution of Retail Loans by Product Type

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	<b>891,502</b>	<b>62.3</b>	724,592	63.3
Personal consumption loans	<b>144,131</b>	<b>10.1</b>	133,093	11.6
Loans to private businesses	<b>157,424</b>	<b>11.0</b>	130,085	11.4
Credit card balances	<b>100,350</b>	<b>7.0</b>	37,820	3.3
Loans to rural households	<b>134,535</b>	<b>9.4</b>	115,580	10.1
Others	<b>2,578</b>	<b>0.2</b>	3,303	0.3
<b>Total</b>	<b><u>1,430,520</u></b>	<b><u>100.0</u></b>	<b><u>1,144,473</u></b>	<b><u>100.0</u></b>

We adjusted the residential mortgage loan policy at appropriate time according to the national and local government control policies on real estates and prioritized the provision of loans to finance first home purchase. At 31 December 2011, residential mortgage loans increased by RMB166,910 million or 23.0% over the end of the previous year to RMB891,502 million.

Personal consumption loans increased by RMB11,038 million or 8.3% over the end of previous year to RMB144,131 million. The increase was primarily because we enhanced the integrated services capability for high-quality retail customers to facilitate the growth of personal consumption loans in response to the government policy of boosting domestic demand and the consumption demand in particular.

Loans to private businesses increased by RMB27,339 million or 21.0% over the end of the previous year to RMB157,424 million. The increase was mainly because we actively implemented the financial service policies for small and micro enterprises and increased credit support to owners of small and micro enterprises and private businesses.

Credit card balance increased by RMB62,530 million or 165.3% over the end of the previous year to RMB100,350 million. The rapid increase was mainly because we increased the number of credit cards issued and developed emerging businesses such as credit card instalment and online payment which resulted in rapid growth of credit card overdraft.

Loans to rural households increased by RMB18,955 million or 16.4% over the end of the previous year to RMB134,535 million. The increase was mainly because by seizing the opportunities of rapid economic development in County Areas, we innovated the operation and management models of loans to rural households, focused on selective areas and customers with high-quality and adhered to streamlined and refined management, which facilitated the steady development of loans to rural households with controllable risk.

## Distribution of Loans by Geographic Region

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	91,189	1.6	76,605	1.5
Yangtze River Delta	1,511,027	26.7	1,353,322	27.4
Pearl River Delta	808,715	14.4	717,857	14.5
Bohai Rim	996,549	17.7	869,184	17.5
Central China	678,615	12.1	601,196	12.1
Northeastern China	205,807	3.7	173,876	3.5
Western China	1,230,733	21.9	1,088,996	22.0
Overseas and others	106,070	1.9	75,705	1.5
<b>Total</b>	<b>5,628,705</b>	<b>100.0</b>	<b>4,956,741</b>	<b>100.0</b>

We placed great emphasis on the coordinative development of loans in different regions and continued to optimize the geographic distribution of loans. In response to the national policies and plans of economic development for key zones, we increased the credit facilities provided to key regions, national specialized economic zones and industrial zones according to the supportive policies promulgated by the government. We maintained the credit provision to Yangtze River Delta, Pearl River Delta and Bohai Rim and moderately allocated more credit resources to Central China, Western China and Northeastern China. We strengthened the synergistic marketing between domestic and overseas loan businesses, resulting in an increase in the proportion of overseas loan.

## *Investments*

At 31 December 2011, our net investment securities and other financial assets increased by RMB100,621 million or 4.0% to RMB2,628,052 million over the end of the previous year.

## Distribution of Investments by Type of Instruments

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	2,022,695	77.0	1,832,392	72.5
Restructuring-related debt securities	567,383	21.6	661,710	26.2
Equity instruments	1,185	—	459	—
Others <sup>1</sup>	36,789	1.4	32,870	1.3
<b>Total</b>	<b>2,628,052</b>	<b>100.0</b>	<b>2,527,431</b>	<b>100.0</b>

*Note:* 1. Mainly including the assets generated by investment of the proceeds from issuance of wealth management products.

At 31 December 2011, non-restructuring-related debt securities investments increased by RMB190,303 million, which was mainly because we seized the opportunities when the bond yield was at a relatively high level and moderately increased the investment in medium- and long-term bonds. The restructuring-related debt securities investments decreased by RMB94,327 million over the end of the previous year, mainly because the MOF repaid part of our MOF receivables during the reporting period.

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

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	551,569	27.3	532,968	29.1
PBOC bills	460,159	22.7	544,609	29.7
Bonds issued by policy banks	647,706	32.0	467,973	25.5
Bonds issued by other banks and financial institutions	82,417	4.1	69,315	3.8
Bonds issued by entities in public sectors and quasi-governments	50,295	2.5	40,012	2.2
Corporate bonds	230,549	11.4	177,515	9.7
<b>Total</b>	<b>2,022,695</b>	<b>100.0</b>	<b>1,832,392</b>	<b>100.0</b>

The proportion of investment in bonds issued by policy banks and corporate bonds in the total non-restructuring-related debt securities investments increased by 6.5 percentage points and 1.7 percentage points, respectively, compared to the end of the previous year. This was mainly because we refined our investment portfolio in accordance with the market change and increased the investment in bonds issued by policy banks and corporate bonds with better risk and return combination. The proportion of investment in the PBOC bills in the total non-restructuring-related debt securities investments decreased by 7.0 percentage points compared to the end of the previous year. This was mainly due to the decrease in the PBOC bills issued.

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

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	9	—	7	—
Less than 3 months	110,337	5.5	172,198	9.4
3–12 months	557,979	27.6	490,540	26.8
1–5 years	826,054	40.8	714,648	39.0
More than 5 years	528,316	26.1	454,999	24.8
<b>Total</b>	<b>2,022,695</b>	<b>100.0</b>	<b>1,832,392</b>	<b>100.0</b>

The proportion of our investment in debt securities with the remaining maturity of over one year increased mainly because: (1) we increased the investment in debt securities with terms of one to five years which had relatively high investment value when the yield curve of bonds shifted upwards flatly; and (2) we increased the investment in debt securities with terms of more than five years prior to the rapid fall of market interest rate.

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

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	1,968,584	97.3	1,759,340	96.0
USD	42,022	2.1	62,250	3.4
Other foreign currencies	12,089	0.6	10,802	0.6
<b>Total</b>	<b>2,022,695</b>	<b>100.0</b>	<b>1,832,392</b>	<b>100.0</b>

At 31 December 2011, our investment in foreign currency denominated debt securities decreased over the end of the previous year, mainly because: (1) certain foreign currency denominated debt securities matured during the year; and (2) we adopted more prudent investment strategies to slowdown the progress of reinvestments and reduce the size of foreign currency investment profile in response to the volatile international financial market.

At the end of 2011, we did not hold any debt securities of Greece, Ireland, Portugal, Spain and Italy. Debt securities we held issued by other European sovereign countries were close to maturity with stable risk profile and would not cause material impact on our operation.

Distribution of Investments by Holding Purpose

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss <sup>1</sup>	68,052	2.6	50,257	2.0
Available-for-sale financial assets	651,198	24.8	668,503	26.5
Held-to-maturity investments	1,178,888	44.8	1,036,658	41.0
Debt securities classified as receivables	729,914	27.8	772,013	30.5
<b>Total</b>	<b>2,628,052</b>	<b>100.0</b>	<b>2,527,431</b>	<b>100.0</b>

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

## Investment in Financial Bonds

Financial bonds refer to the securities issued by the PRC policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. At 31 December 2011, the balance of financial bonds was RMB730,123 million, including bonds of RMB647,706 million issued by the PRC policy banks and bonds of RMB82,417 million issued by commercial banks and other financial institutions. The table below sets out the top ten financial bonds held by the Bank in terms of face value as of 31 December 2011.

*In millions of RMB, except for percentages*

<b>Bond</b>	<b>Face value</b>	<b>Annual interest rate</b>	<b>Maturity date</b>	<b>Allowance<sup>1</sup></b>
2011 policy bank bonds	10,310	3.35%	2012-4-12	—
2011 policy bank bonds	10,000	3.81%	2017-12-23	—
2011 policy bank bonds	10,000	One-year time deposit interest rate + 0.73%	2017-12-23	—
2011 policy bank bonds	9,550	4.00%	2016-11-8	—
2011 commercial bank bonds	9,000	4.20%	2016-12-28	—
2010 policy bank bonds	7,680	3.17%	2017-7-21	—
2008 policy bank bonds	7,660	4.83%	2015-3-4	—
2010 policy bank bonds	7,410	3.21%	2017-6-2	—
2004 policy bank bonds	7,380	One-year time deposit interest rate + 0.75%	2014-3-5	—
2011 policy bank bonds	7,350	3.74%	2018-12-21	—

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

## Liabilities

At 31 December 2011, our total liabilities increased by RMB1,232,619 million or 12.6% over the end of last year to RMB11,027,789 million. Deposits from customers increased by RMB734,121 million or 8.3%, while deposits and placements from banks and other financial institutions increased by RMB141,284 million or 24.2%. Financial assets sold under repurchase agreements increased by RMB54,612 million or 145.8%, mainly due to the increase in bonds sold under repurchase agreements. Subordinated bonds issued increased RMB49,960 million or 100.0%, mainly due to the new issuance of RMB50,000 million subordinated bonds. Other liabilities increased by RMB252,642 million or 106.7%, mainly due to the increase in financial liabilities at fair value through profit or loss.

## Key Items of Liabilities

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	<b>9,622,026</b>	<b>87.3</b>	8,887,905	90.7
Deposits and placements from banks and other financial institutions	<b>724,236</b>	<b>6.6</b>	582,952	6.0
Financial assets sold under repurchase agreements	<b>92,079</b>	<b>0.8</b>	37,467	0.4
Subordinated bonds issued	<b>99,922</b>	<b>0.9</b>	49,962	0.5
Other liabilities	<b>489,526</b>	<b>4.4</b>	236,884	2.4
<b>Total</b>	<b><u>11,027,789</u></b>	<b><u>100.0</u></b>	<b><u>9,795,170</u></b>	<b><u>100.0</u></b>

### *Deposits from Customers*

In 2011, in response to the adverse impacts of tense market funding and intensified competitions on deposits, we further consolidated the customer segmentation service system, promoted product and service innovation, expanded the base of high-quality customers, utilized the synergies between wealth management products and deposits, and diversified marketing channels and methods, in an effort to facilitate continuous growth in customer deposits. At 31 December 2011, deposits from customers increased by RMB734,121 million or 8.3% over the end of previous year to RMB9,622,026 million. By the customer structure of deposits, the corporate deposits increased by RMB110,587 million or 3.1% over the end of previous year, and the retail deposits increased by RMB560,882 million or 11.1% over the end of previous year. In terms of the maturity of deposits, the proportion of demand deposits decreased by 1 percentage point over the end of previous year to 56.7%, mainly due to factors including several consecutive increases in the interest rate by the PBOC.

### *Distribution of Deposits from Customers by Business Line*

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	<b>9,591,984</b>	<b>99.7</b>	8,870,588	99.8
Corporate deposits	<b>3,643,562</b>	<b>37.9</b>	3,532,975	39.8
Time	<b>1,007,590</b>	<b>10.5</b>	893,965	10.1
Demand	<b>2,635,972</b>	<b>27.4</b>	2,639,010	29.7
Retail deposits	<b>5,626,077</b>	<b>58.5</b>	5,065,195	56.9
Time	<b>2,807,618</b>	<b>29.2</b>	2,573,683	28.9
Demand	<b>2,818,459</b>	<b>29.3</b>	2,491,512	28.0
Other deposits <sup>1</sup>	<b>322,345</b>	<b>3.3</b>	272,418	3.1
Overseas and others	<b>30,042</b>	<b>0.3</b>	17,317	0.2
<b>Total</b>	<b><u>9,622,026</u></b>	<b><u>100.0</u></b>	<b><u>8,887,905</u></b>	<b><u>100.0</u></b>

Note: 1. Mainly including margin deposits, remittance payables and outward remittance.



Distribution of Deposits from Customers by Geographic Region

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	69,788	0.7	62,129	0.7
Yangtze River Delta	2,192,043	22.7	2,111,759	23.8
Pearl River Delta	1,348,651	14.0	1,247,222	14.0
Bohai Rim	1,652,034	17.2	1,561,814	17.6
Central China	1,584,429	16.5	1,429,900	16.1
Northeastern China	506,852	5.3	464,550	5.2
Western China	2,238,187	23.3	1,993,214	22.4
Overseas and others	30,042	0.3	17,317	0.2
<b>Total</b>	<b>9,622,026</b>	<b>100.0</b>	<b>8,887,905</b>	<b>100.0</b>

Distribution of Deposits from Customers by Remaining Maturity

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	6,040,089	62.8	5,621,202	63.3
Less than 3 months	1,116,450	11.6	1,006,255	11.3
3–12 months	1,718,502	17.9	1,775,701	20.0
1–5 years	744,676	7.7	482,634	5.4
More than 5 years	2,309	—	2,113	—
<b>Total</b>	<b>9,622,026</b>	<b>100.0</b>	<b>8,887,905</b>	<b>100.0</b>

## Shareholders' Equity

At 31 December 2011, the shareholders' equity amounted to RMB649,788 million, comprising share capital of RMB324,794 million, capital reserve of RMB98,773 million, investment revaluation reserve of RMB1,324 million, surplus reserve of RMB29,509 million, general and regulatory reserve of RMB64,854 million and retained earnings of RMB131,086 million. At 31 December 2011, net assets per share was RMB2.00.

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

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	324,794	50.0	324,794	59.9
Capital reserve	98,773	15.2	98,773	18.2
Investment revaluation reserve	1,324	0.2	(2,171)	(0.4)
Surplus reserve	29,509	4.5	17,242	3.2
General and regulatory reserve	64,854	10.0	58,335	10.8
Retained earnings	131,086	20.2	45,484	8.4
Currency translation reserve	(739)	(0.1)	(386)	(0.1)
Equity attributable to equity holders of the Bank	649,601	100.0	542,071	100.0
Minority interests	187	—	165	—
<b>Total equity</b>	<b>649,788</b>	<b>100.0</b>	<b>542,236</b>	<b>100.0</b>

## Off-Balance-Sheet Items

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

### Composition of Credit Commitments

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	796,913	47.3	955,563	58.3
Acceptances	346,048	20.5	311,664	19.0
Letters of guarantee issued and guarantees	223,389	13.2	158,584	9.7
Letters of credit issued	160,307	9.5	79,400	4.8
Credit card commitments	161,187	9.5	135,235	8.2
<b>Total</b>	<b>1,687,844</b>	<b>100.0</b>	<b>1,640,446</b>	<b>100.0</b>

## *Other Financial Information*

### Changes in Accounting Policies

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

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

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

### Items Measured at Fair Value and Internal Control

The Bank measured the fair value of financial instruments in an active market mainly based on their market price or the market interest rate. As for financial instruments with no market price or interest rate available, the Bank will determine the fair value of such financial assets or liabilities based on its present value of future cash flow or other valuation techniques using observable market information.

The Bank's financial instruments measured at fair value primarily include RMB-denominated bonds, foreign currency denominated bonds and derivatives. The fair value of RMB-denominated bonds is mainly based on quoted market price provided by China Government Securities Depository Trust & Clearing Co., Ltd. The fair value of foreign currency denominated bonds is mainly based on the quoted prices from dealers and valuation service providers. The fair value of derivatives is mainly determined by adopting valuation model and obtaining the prices from counter-parties. Except for the fair value of a few financial instruments which was determined according to the quoted prices from dealers and prices obtained from counter-parties, fair value measurement of most of the financial instruments of the Bank was conducted on a daily basis.

The Bank has set up a strict internal control system for fair value measurement. A clear separation of the front, middle and back office functions with cross-supervision and checking mechanism has been implemented for our capital investment and transactions business, under which operations of the front office is monitored by the middle office through risk management policies, authorization, credit approval and limits, and by the back office through transaction verification and account reconciliation. Fair value measurement is conducted by the middle office, which is separated from business operations to ensure its independence.

## Items Measured at Fair Value

*In millions of RMB*

<b>Item</b>	<b>31 December 2010</b>	<b>Gains/ (Losses) arising from fair value changes for the period</b>	<b>Accumulated fair value changes recognised in equity</b>	<b>Impairment charge (reversal) for the period</b>	<b>31 December 2011</b>
Financial assets at fair value through profit or loss	50,257	249	—	—	<b>68,052</b>
Available-for-sale financial assets	668,281	—	1,805	(496)	<b>650,976</b>
Derivative financial assets	9,173	(229)	—	—	<b>8,524</b>
Investment properties	786	155	—	—	<b>287</b>
Precious metals	4,302	(807)	—	—	<b>8,007</b>
Total assets	732,799	(632)	1,805	(496)	<b>735,846</b>
Total liabilities	(47,391)	1,041	—	—	<b>(218,694)</b>

Notes: (1) Total liabilities included financial liabilities at fair value through profit or loss and derivative financial liabilities.

(2) The assets and liabilities set out in the above table does not represent the reconciliation of movement of each account balance during the reporting period.

## **Business Review**

### ***Corporate Banking***

In 2011, we further pushed forward the business operational transformation for corporate banking and optimized credit resources allocation in response to the changes of market and policies actively. More resources were allocated to support the development of key economic development zones of China, strategic emerging industries and industries of energy conservation and emission reduction and loans to Industries with high energy consumption, high pollution and overcapacity were under strict control. We focused on the development of green financing and supply chain financing to promote our business innovation. We also enhanced product cross-selling and integrated marketing throughout the whole bank. Investment banking, bancassurance, custody, settlement and cash management businesses developed and the fee- and commission-based businesses kept growing. The overall competitiveness of the Bank has been further enhanced. Regional market shares of certain urban area branches have increased significantly due to the accelerated reforms and developments of major urban branches. We continued to refine the customer segmentation-based management system, expanded the core customer bases of head office, tier-1 branches and tier-2 branches, strengthened the strategic cooperation with major customers and improved the quality of integrated financial services. We enhanced the quality of sales and marketing by strengthening the team building and the administration of position sequence of customer managers. Moreover, we exerted more efforts in the development of specialized services units to improve our customer service for small- and medium-sized enterprises. The number of high-quality customers of small- and medium-sized enterprises maintained steady growth.

At the end of 2011, we had approximately 2.81 million corporate banking customers, of which approximately 75,500 customers had outstanding loans from us.

## Corporate Loans and Deposits

As the liquidity in the market continuously tightened in 2011, we strengthened our marketing efforts and fully leveraged on the synergistic marketing advantages between wealth management products and cash management business. As a result, we realized a steady growth of our corporate deposits. As of 31 December 2011, we had domestic corporate deposits of RMB3,643,562 million, representing an increase of RMB110,587 million or 3.1% compared to the end of the previous year.

During the reporting period, we continued to optimize the loan portfolio distributed by regions, industries and customers. As of 31 December 2011, we had domestic corporate loans and discounted bills amounting to RMB4,092,115 million, representing an increase of RMB355,552 million or 9.5% compared to the end of the previous year.

During the reporting period, the Bank strictly controlled the total loans provided for real estate projects and tightened the entry threshold, and lending conditions in accordance with the national macro-control policy on the real estate market. We continued to refine the geographic and customer compositions of real estate loans, strengthened credit authorization, credit limit, security and guarantee management, and conducted comprehensive post-disbursement inspections to tackle the risks of real estate loans effectively. As of 31 December 2011, the real estate loans amounted to RMB374,379 million, representing a decrease of RMB45,259 million as compared to the end of last year whereas outstanding non-performing loans and non-performing loan ratio decreased. According to the 16-grade Rating System for Corporate Customers of the Bank, the real estate loans to customers with A- grade or above amounted to RMB350,706 million at the end of 2011, contributing 93.7% to the total real estate loans.

## Small Enterprise Banking Business

In 2011, affected by various factors including the adjustments to monetary policies, increasing labour costs and the slowdown in economic growth, small- and micro-sized faced intense operation pressure, increasing costs and financing difficulties. The Bank timely introduced a series of policies and measures to support the healthy and sound development of small- and micro-sized. As a result, small- and micro-sized banking business maintained rapid growth. At the end of 2011, the outstanding loans to small- and micro-sized amounted to RMB575,219 million, representing an increase of RMB114,138 million or 24.8% as compared to the end of the previous year.

In 2011, we were once again elected as “Outstanding Services Institution for Small and Medium Enterprises in 2011” by the China Association of Small and Medium Enterprises and “Most Competitive Bank for Small Enterprises” by the China Business Annual Meeting on Enterprise Competitiveness. Our featured product for small enterprises, “Easy Loans”, was awarded “2011 Herald China Product Award” in the Herald China Annual Award Selection Event organized by *International Herald Leader*.

## **Column: Policies and Measures Supporting the Development of Small and Micro Enterprises**

### **Government Policies and Measures Supporting the Development of Small and Micro Enterprises**

In October 2011, the State Council promulgated financial and taxation policies and measures to support the development of small and micro enterprises. In particular, the value-added tax and business tax thresholds increase and the applicable period of the policy regarding half deduction on enterprise income tax for small and micro enterprises is extended to the end of 2015 with larger coverage. Furthermore, stamp duty on loan contracts entered into between financial institutions and small and micro enterprises will be exempted for three years and the effective period of the deduction of allowance for impairment losses on loans before income tax for taxation purpose will be extended to the end of 2013.

In May 2011, the CBRC issued the “Notice on Supporting Commercial Banks in Further Improving Financial Services for Small Enterprises”. According to the circular, banks were encouraged to issue specialized financial bonds for small enterprises’ loans release. Specific assessment procedures were adopted for non-performing loans of small enterprises and tolerance for non-performing loans ratio of small enterprises increased.

In October 2011, the CBRC issued the “Supplementary Notice on Supporting Commercial Banks in Further Improving Financial Services for Small and Micro Enterprises”, which imposed more specific regulations and incentive policies. Particularly, commercial banks were encouraged and supported to expand the network coverage of financial services for small and micro enterprises, and to actively support the development of small and micro enterprises in technological industries through system, product and service innovations. Preferential risk weight of 75% in Risk-Weighted Approach and preferential capital regulatory requirements as retail loans in IRB approach were applied to loans for small and micro enterprises. Tolerance of non-performing loans ratio of small and micro enterprises were increased. Commercial banks were prohibited from charging small and micro enterprises any commitment fee or fund management fee. Stringent restrictions were imposed on financial advisory and consultation fees charged to small and micro enterprises.

#### *Policies and Measures Supporting Small and Micro Enterprises of the Bank*

According to the government financial policies supporting the small and micro enterprises, the Bank formulated the *Measures for Further Support of the Sound Development of Small and Micro Enterprises* to increase credit facilities, reduce financing costs and enhance service quality for small and micro enterprises.

**Increasing grant of credit.** Beyond the original credit plan for small and micro enterprises, we continued to increase credit facilities for small and micro enterprises, with the total loans increased by over RMB100 billion.

**Credit support to specific small and micro enterprises.** We focused on providing credit support to small and micro enterprises in modern agricultural industry and modern service industry, small and micro enterprises in the strategic emerging industries which focused on professional, streamlined, specialized and innovative operations, small and micro enterprises operating in upstream and downstream industries of major enterprises, small and micro enterprises of strong capability and high-quality among industrial clusters, technology-based small and micro enterprises possessing core technologies and intellectual properties and small and micro exporting enterprises with satisfactory operating results.

**Regulated interest rates and fee charges.** We strengthened the management of interest rates and pricing and fixed the maximum floating interest rates of small and micro enterprises for loans under RMB5 million. We also formulated regulations on fee charges and small and micro enterprises were waived to pay commitment fee, fund management fee and consultation fee, and micro enterprises were waived to pay financial advisor fee.

**Expansion of designated units.** We further expanded the service coverage of our designated units. Nine science and technology sub-branches were established under the Jiangsu branch as the pilot sub-branches launching financial services integrated with science and technology. We also established a designated unit under the Beijing branch to provide financial services to small enterprises in cultural and creative industries, in order to support the enterprises, industrial cluster zones and key projects in such industries.

**Promotion and Innovation of Financing Products.** We exerted the efforts in promoting financing products including “Easy Loans” and “Self-Service Revolving Credit Facilities” to small and micro enterprises, and rolled out features products, such as “Factory Mortgage Loans”. We also proactively developed trade financing products for industrial chain, supply chain and logistic chain. In addition, we provided new types of guaranteed financing products, such as loans guaranteed by intellectual property rights. We also offered more choices of guarantees such as cross-guarantee and joint guarantee.

**Enriched financing channels for small and micro enterprises.** We continued to increase the underwriting size of collection bills issued by small and micro enterprises and supported small and micro enterprises to obtain financing through various channels, including risk capital, venture capital and private equity funds. We provided assistance to qualified small and micro enterprises with growing potentials and innovative operations to list on domestic and overseas securities markets, and supported the development of small and micro enterprises by providing finance lease and equity funds.

## Institutional Banking

At the end of 2011, we established business cooperation with 112 banks and offered third-party depositary services to 97 securities firms for their transaction settlement funds and 12.3913 million clients signed cooperation contracts with us. The average daily balance of funds deposited from securities firms amounted to RMB97,300 million. A total of 145 future brokerage companies use our Bank-Future Account System and 158 futures brokerage companies established cooperation relationship with us, with outstanding margin deposits amounting to RMB30,450 million. We also strengthened the strategic cooperation with central government departments and provincial governments. In 2011, the aggregate transaction volume of agency services provided to the treasury of the PRC central government amounted to RMB220,743 million, representing an increase of RMB27,089 million or 14.0% as compared to the previous year.

Our presence in the bancassurance market continued to expand and the number of insurance companies using our bancassurance system reached 32. In 2011, we collected new insurance premiums of RMB92,862 million and recorded a total income of RMB4,216 million from bancassurance. Our market share ranked first for two consecutive years among the Big Four banks in terms of revenue.

## Settlement and Cash Management

### *Payment and Settlement*

The Bank consistently strengthened its efforts on the marketing of settlement account services, pushed forward the cooperation with other banks and financial departments in terms of settlement agency service and continued to optimize our payment and settlement products. In 2011, we started to provide deposit account management service for third-party companies, and the competitive edges of our payment and settlement business were further consolidated. At the end of 2011, we had 3.477 million RMB-denominated corporate settlement accounts, representing an increase of 8.0% over the end of the previous year. RMB-denominated corporate settlement transaction volume amounted to RMB233.36 trillion, representing an increase of 19.8% as compared to the previous year.

### *Cash Management*

We further expanded the high-end group customer base and strengthened marketing efforts in County Areas with focus on product innovation for cross-bank and cross-border cash management service and enlarging the customer and service coverage. At the end of 2011, we had 103,000 cash management customers, representing an increase of 51.5% as compared to the end of the previous year. Total transaction volume of cash management reached RMB75.81 trillion, representing an increase of 48.2% as compared to the previous year. In 2011, we were awarded “Top 10 Financial Marketing Product in China for 2010” by *The Chinese Banker*, “Best Cash Management Bank in 2011” by *Treasury China* and “Best Cash Management Product Award” in the 2011 Financial Value Ranking by *China Business News*.



## Trade Financing and International Settlement

In 2011, we further streamlined our trade financing business procedures, further improved customer structure, accelerated product innovation, and proactively developed key products in trade financing for domestic letters of credit and international trade financing for bulk commodities. As a result, our trade financing business grew steadily. In 2011, the volume of trade financing amounted to USD102,006 million, representing an increase of 81.2% over the previous year. Fee and commission income from international trade financing reached RMB2,318 million.

In 2011, the document center for international settlement of the Bank was put into full operation, which further improved the centralized processing efficiency and standardized operation level. The total volume of international settlement conducted by our domestic branches in 2011 amounted to USD592,084 million. The market share of our international settlement business maintained steady growth with an income of RMB2,056 million. We speeded up the research and development of cross-border RMB-denominated products to consolidate and enhance the advantages of our cross-border financial services. The volume of cross-border RMB settlement services during the year amounted to RMB154,417 million, representing an increase of 385.51% as compared to the previous year. We also boosted the development of foreign guarantee business to support domestic enterprises to “Go-Global”. Throughout the year, we issued an aggregated volume of USD10,690 million of foreign guarantee, representing an increase of 73.1% as compared to the previous year.

## Investment Banking

In 2011, we continued to strengthen the competitiveness and sustainable development of our investment banking by improving our management system, accelerating product innovation, optimizing business structure and enhancing service quality. In response to the changes of policies and market conditions as well as vigorous competitions among banks, we took active measures to maintain a stable development of our financial advisory and investment finance advisory business, promoted the development of products like debt finance instrument business and enlarged the portfolio of low-carbon financial products. Revenue generated from our investment banking services reached RMB16,257 million, representing an increase of 61.7% as compared to the previous year. In respect of financial advisory business, the online financial advisory platform 2.1 version was put into operation to further improve the financial advisory services. We also signed contracts with 84 new customers to provide listing financial advisory services. In order to promote the development of green financial services, we studied and commenced trial operation of Clean Development Mechanism (CDM) income property rights financing and financing advisory business for energy management contracts. In respect of financing business, we underwrote debt financing instruments of RMB169,936 million as a leading underwriter, representing an increase of 46.6% over the previous year. We had syndicated loans of RMB305,109 million, representing an increase of 24.7%, and approved a total loan of RMB11,404 million for mergers and acquisitions throughout the year. In respect of asset management business, we explored new business models for financial wealth management, provided financial wealth management services to 126 key customers and carried out the research and preparation work for asset securitization business.

We were awarded “Best Investment Bank”, “Best Bank of Financial Advisory”, “Best Bank of Syndicated Financing” and “Best Debt Financing Project” in the election of the best investment banks in China by *Securities Times* in 2011. We were also awarded “Best Management” and “Best Deal” of syndicated loans by China Banking Association in its Annual Award Selection Event.

### Custody Service

As of 31 December 2011, we had RMB2,080,004 million of assets under custody, representing an increase of 32.9% over the end of the previous year. Among them, insurance assets accounts for RMB1,147,004 million, representing an increase of 21.9% over the end of the previous year, ranking first among all commercial banks in China. In 2011, our custodian and other fiduciary service fees amounted to RMB1,672 million, representing an increase of 98.1% as compared to the previous year, and we were awarded the “Most Outstanding Assets Custody Services Award” by the *CFO World Magazine* for the third consecutive year.

### Pension Business

In 2011, we won the bids for a number of pension fund projects from a group of well-known enterprises, actively promoted the integrated schemes for corporate annuity and steadily expanded our custody business for the new rural pension insurance fund program and various social security fund. As of 31 December 2011, pension funds under our custody reached RMB133,116 million, representing an increase of 27.0% over the end of the previous year.

### ***Retail Banking***

Targeting to become the most influential leading retail bank in China, we continued to accelerate the business operational transformation for our retail banking business. We established segmentation service platform for the VIP customers, adopted the customer list-based management and enhanced synergistic marketing between the corporate banking and retail banking departments to promote the synergy of financial products. We optimized the layout and standard renovation of our branch outlets and launched specific initiatives in terms of enhancing service quality to improve the service capability and efficiency. We accelerated the integration of existing products and the research and development of new products. The first financial IC card with PBOC2.0 standards was launched and products including “Bao Jie Dai”, “Cun Jin Tong” and “Liyi Savings” were rolled out to the market. The research and development of new products such as “Jinshitong”, “Paper Gold” and “Ka Jie Dai” was speeded up. We continued to expand our private banking department at branches to enhance the service quality for high net worth customers. In order to strengthen team building, we established a team of internal trainers with more than 4,000 members and a professional retail banking product marketing team, and organized training programs to improve service standards and marketing skills. Overall service capability of our retail business working teams was enhanced significantly.

At the end of 2011, we had over 395 million retail customers, ranking first among all large commercial banks, and among which we had 14.06 million VIP customers. We had over 12,800 domestic Associate Financial Planners (AFP), over 1,500 international Certified Financial Planners (CFP) and more than 590 Executive Financial Planners (EFP), maintaining a leading position among all commercial banks in China.

## Retail Loans

In 2011, capitalizing on the opportunities arising from the continuously increasing household income and consumption expenditure, we continued to enhance the synergistic marketing between corporate banking and retail banking and reinforce our risk management. We also modified the differentiated housing credit policy in compliance with the macro-control policies on real estates. According to the national strategies of boosting domestic demand especially household consumption, we actively developed key products such as integrated personal consumption loans, residential loans secured by mortgages and small loans for consumption without mortgage. In order to support the development of private enterprises, we started to offer start-up loans to operators of private enterprises in major specified markets with high growth potential. We further pushed forward the process-banking construction and accelerated the transformation of the business model of retail loans to achieve professional and streamlined middle and back office operation of retail loan business. Our risk control ability and business operation efficiency were enhanced effectively. As of 31 December 2011, the balance of domestic retail loans reached RMB1,430,520 million, representing an increase of RMB286,047 million or 25.0% over the end of the previous year. In 2011, we were selected as the “Best Bank in Retail Loans” in the 2011 Financial Value Ranking by *China Business News* and “2011 Retail Loans Provider with Outstanding Competitiveness” by *China Business Journal*.

## Retail Deposits

As the market liquidity tightened and inflation pressure intensified in 2011, the attractiveness of traditional deposit reduced significantly. We timely adjusted our marketing strategy and developed innovative deposit products functions. The auto-transfer and fund collection functions of our products were upgraded and featured businesses such as “Li • Dao” Saving Scheme and “Shuang Li Feng” were developed and launched. We strengthened proactive liability management and achieved synergistic development between savings and wealth management businesses. As of 31 December 2011, the balance of domestic retail deposits reached RMB5,626,077 million, representing an increase of RMB560,882 million over the end of the previous year.

## Bank Cards

At the end of 2011, the number of Kins Debit Card issued amounted to 462 million with a transaction volume of RMB2,851,938 million in 2011, representing an increase of 44.11% over the previous year. The aggregate number of credit cards issued reached over 31 million whereas bank card transaction volume reached RMB471,400 million, representing an increase of 98.0% as compared to the previous year. Our dedicated merchants of bank cards amounted to 418,700, representing an increase of 22.5% over the end of the previous year. The total commission income generated by the bank card business was RMB10,828 million, representing an increase of 68.1% compared to the previous year.

We continued to push forward the brand building of our Kins card, enriched the product types of debit cards and launched innovative debit card products such as Retirement Pension Card, Financial Assistance Card for Vocational School Student and Social Security Card. We established a comprehensive portfolio of credit card products consisting of standard cards, Co-brand cards and theme cards. The Kins Taiwan Travel Card was the first domestic credit card themed for travel within Taiwan. We also launched new instalment payment services for consumers and merchants. In 2011, the first financial IC card was issued, which demonstrated the capability of the Bank to issue debit/credit IC cards with the PBOC 2.0 standards and our leading position in the banking industry.

We were awarded “Best Credit Card Brand” in the Annual Gold Diamond Award Campaign of Net Ease Financial Enterprises in 2011. Our Kins credit card was elected as “Most Secure Credit Card in China in 2011” in the Fourth Election of the Most Respected Bank and Best Retail Bank in China.

Item	31 December 2011	31 December 2010	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	<b>46,227.01</b>	38,533.96	19.96
Number of credit cards issued (unit: 10,000)	<b>2,694.36</b>	2,125.34	26.77
	<b>2011</b>	2010	Growth Rate (%)
Transaction volume for debit cards (RMB100 million)	<b>28,519.38</b>	19,790.33	44.11
Transaction volume for credit cards (RMB100 million)	<b>4,621.63</b>	2,278.78	102.81

#### Agency Distribution of Fund Products

In collaboration with over 66 fund management companies and securities firms, we distributed over 800 fund products and integrated brokerage plans as agents. We served as an agent for the issuance of five specific account products of “one customer-to-many fund products” throughout the year. We organized a series of investor education programs, including “Jijinbao” Wealth Forum, to further strengthen the brand awareness of “Jijinbao”. In 2011, we acted as an agent for the issuance of fund products with a total transaction volume of RMB101,537 million and received fees and commissions of RMB1,283 million.

## Agency Sales of PRC Government Bonds

In 2011, the market of PRC government bonds kept relatively active due to the downturn of the stock market and real estate market. In 2011, we acted as an agent for the issuance of 22 batches of PRC government bonds and we acted as the exclusive sales underwriter for the issuance of 4 batches of certificated PRC government bonds of RMB16.8 billion, and the actual issuance was accounted to RMB16.497 billion. We also served as an agent for the issuance of 18 batches of electronic PRC government bonds of actual sales of RMB17.326 billion. We were granted the award of “2011 Outstanding Underwriters of Certificated PRC Government Bonds” and “2011 Outstanding Underwriters of PRC Government Bonds in Book Entry Form” by the MOF and the PBOC.

## Private Banking Business

At the end of 2011, we established the private banking departments in 14 tier-1 branches in China. The number of customers of private banking business reached over 31,000 and the assets under custody amounted to over RMB340,000 million.

During the reporting period, we enhanced the service capability of our private banking business. We were devoted to improving our system of private banking business services through providing the 4008895599 customer service hotline for the customers of private banking business and establishing a wealth management team which comprised private banking wealth consultants, advisors on products and services, internal and external part-time consultants, and customer services managers of sub-divisions to improve its services quality and capability. We provided services to individual shareholders of enterprises and provided such customers with specific consultation services, including the lift of the restricted shares, market price management and tax advice. As the only private bank cooperating with China National Academy of Painting for the establishment of Art Center of the Bund, We also provided our customers with professional consultation, appreciation and collection services of arts, including painting and calligraphy. We also jointly developed cross-border financial service with BMO to provide immigrant investment, overseas studies in well-known universities, cross-border investment and cross-border financing services to customers. We jointly issued *2011 Global Wealth Distribution of Customers of Private Banks in China* with an independent professional organization to provide integrated wealth management solutions and specific private banking information services for our customers.

## *Treasury Operations*

Our treasury operations consist primarily of money market activities, investment and trading activities, treasury transactions on behalf of customers, wealth management business, precious metal business, and other business lines. In 2011, the conditions at home and abroad remained complicated. The global financial market experienced significant fluctuations, and there were dramatic ups and downs in interests and capital flow in the domestic market. In response to the changes in domestic and overseas financial markets, we proactively adjusted investment strategies to increase the yield of our investment portfolio. We actively participated in the market of derivatives, foreign exchange, bonds as well as precious metals, developed the wealth management business and further strengthened our risk management. The investment portfolio and customer structure were further optimized.

### *Money Market Activities*

In 2011, the PBOC raised the interest rates three times and the statutory deposit reserve ratio six times to hedge the excess liquidity of banking system and ease the inflationary pressure. Affected by the slowdown of economic growth at the fourth quarter of the year, the currency policy was fine tuned and the statutory deposit reserve ratio was cut once in December. Liquidity management encountered significantly increased pressure as the level of liquidity fluctuated from time to time. We enhanced prospective study and monitoring of market, in order to improve our fund profitability and efficiency on the premise of ensuring our liquidity. In 2011, our domestic RMB financing transaction volume amounted to RMB10,389,911 million, including lending of RMB9,438,604 million and borrowing of RMB951,307 million. The total financing transaction volume increased by 10.3% over the previous year.

We continued to adopt a prudent investment strategy for short-term foreign currency investment. We closely monitored the changes in overseas counterparties' credibility and allocated more investment for foreign currency bonds issued by PRC enterprises.

### *Investment and Trading Activities*

At the end of 2011, our net investment securities and other financial assets amounted to RMB2,628,052 million, representing an increase of RMB100,621 million compared to the end of the previous year.

### *Trading Activities*

In 2011, we closely monitored the macro-economic trend and the changes in monetary policy and flexibly adjusted the management strategies for investment portfolio. The yield of trading accounts of debenture trading activities surpassed the average market level. Our RMB bond trading volume reached RMB1.22 trillion, securing a leading position of RMB-denominated market by various standards. In 2011, we were named as the "Outstanding Market Maker" several times by National Association of Financial Market Institutional Investors.

In 2011, we have further strengthened the position as a market maker in the inter-bank foreign exchange market with the total value of market making transactions amounted to USD681.825 billion, ranking the first in terms of the total value of market making transaction, of which the value of foreign exchange RMB spot transactions amounted to USD446.3 billion, ranking the second in the inter-bank market; the value of RMB foreign exchange swap transactions amounted to USD217.694 billion, ranking the second in the inter-bank market; the value of forward transactions amounted to USD17.831 billion.

### *Banking Book Activities*

In 2011, the yield curve of RMB bonds maintained steady growth. Based on the prospective analysis of interest rates and the movement trend, we improved the yield of the investment portfolio effectively by adjusting the maturity term portfolio of new investments dynamically and increasing investment when opportunities arose. We continued to optimize the investment allocation of national bonds, policy financial bonds, other notes issued by the PBOC and the bonds issued by the financial institutions and corporates and increased the proportion of policy bank bonds and the bonds issued by the financial institutions and corporates with better risk-return ratio. At the end of 2011, the balance of our bond investments in RMB reached RMB2,519,603 million, representing an increase of RMB103,763 million as compared to the end of previous year.

Under the influence of the European debt crisis and the significant slowdown of the US economy, we continued to pursue a prudent foreign currency investment strategy to control re-investment scale and frequency. We selected certain investments with sound credit rating in 2011 to optimize the structure and steadily raise the yield of our portfolio. At the end of 2011, our foreign bonds investment package for our own account amounted to USD6,411 million.

### Treasury Transactions on Behalf of Customers

We actively involved in developing China's foreign exchange market. We continued to optimize the business structure of the exchange settlement and encouraged the development of foreign exchange business. We exerted efforts to products innovation and continued to strengthen our risk control. In 2011, the transaction volume of our RMB exchange settlement on behalf of customers reached USD201.722 billion, and that of foreign exchange trading on behalf of customers (including "Wai Hui Bao") amounted to USD13.250 billion.

### Wealth Management

#### *Retail Wealth Management*

To cater for individual investors' increasing demand for wealth management, we adopted innovative designs and sales model for wealth management products, driving the continuous growth of retail wealth management business. In 2011, we issued 2,002 types of retail wealth management products of RMB3,580 billion, and our market share has increased.

We enriched retail wealth management product offering by launching "Jia Ri Li Cai", floating-rate products linked with SHIBOR, debenture-based wealth management product "Jin Qu Zeng Li", increasing revenue wealth management product "An Xin Kuai Xian Bu Bu Gao", wealth

management products linked with physical gold and wealth management products linked with high-end commodities to suit the needs of customers of different levels with different risk preferences. Market influence of our high-end retail wealth management product brand “Linglong”, which was newly established during the year, kept expanding.

The wealth management products of the Bank were well recognized by the social media. The “Golden Key” of the Bank was awarded “Excellent Wealth Management Brand of 2011” and the “Golden Key • An Xin De Li • Linglong” wealth management products were named “Best Banking Product Revenue Award of 2011” from the 4th Golden Wealth Management Awards held by *Shanghai Securities News*. Our “Golden Key • An Xin De Li” wealth management products were awarded “Best Wealth Management Product in China of 2011”, and we were awarded “Best Team of Design and Innovation of 2011” by *Money Week*. We were also the winner of “Best Risk Control Award” in the “Golden Shell Awards” of China assets management held by *21st Century Business Herald*.

### *Corporate Wealth Management*

In 2011, we issued 985 types of corporate wealth management products of RMB1,780 billion with a significant increase in market share. Our products such as “Ben Li Feng Corporate Series Products”, “An Xin De Li Corporate Series Products” and “Hui Li Feng Corporate Series Products” gained positive feedback from customers for their stable yields and flexible maturities. The brand awareness of our newly developed high-end corporate product brand “Da You” continued to grow.

### *Accounting and management of off-balance-sheet wealth management products*

The accounting and management of the off-balance-sheet wealth management products of the Bank was in compliance with the PRC accounting standards and relevant regulations. The funds of off-balance-sheet wealth management products were managed under different asset portfolio. We prepared separate operational reports for each of the asset portfolio. The on- and off-balance sheet funds were accounted separately. The accounts of the on- and off-balance-sheet funds were checked on a regular basis. We continued to improve the investment management of off-balance-sheet wealth management products, properly assigned the maturity structure of their assets and liabilities, imposed strict measures to manage market risk. All of the off-balance-sheet wealth management products issued and redeemed during the reporting period achieved the expected yield.



## *Wealth Management Cooperation Between Banks and Trust Companies*

During the reporting period, the CBRC and other relevant regulatory authorities further regulated the wealth management cooperation between banks and trust companies. We strictly complied with the requirements of the CBRC on the regulated wealth management business and carefully monitored the compliance of the regulated wealth management products of financing trust. We regulated our wealth management business by recovering the matured products, terminating the unmatured products in advance and recording those assets that do not meet the standards to be consolidated into our financial statements on the recording books. In 2011, our regulated wealth management business was under effective scale control and enjoyed high credit ranking. We mainly invested in public utilities projects financed by the PRC central government and the overall risks were under control.

### Precious Metal Business

The precious metal market has been volatile throughout 2011 with the prices of gold and silver substantially adjusted after reaching their new peaks. The domestic consumption, investment and trading demands for precious metals maintained steady growth. In 2011, we traded precious metals of 9,662.06 tons (including 1,067.11 tons of gold and 8,594.95 tons of silver) on behalf of customers and for our own account and sold and repurchased 22.57 tons of retail gold, representing an increase of 354.9% and 73.6%, respectively, as compared to 2010. The income of precious metal business was RMB760 million, representing an increase of 150.8% compared to 2010. In 2011, the precious metal products system including investment, trading, financing and wealth management has initially taken shape. The corporate agency business, lending and leasing business and precious metal forward business maintained sound development. We also expedited the research and development of personal banking business including “Cun Jin Tong” and “Jin Shi Tong” which conducted trades on Shanghai Gold Exchange as the agency of our customers and retail paper gold (silver) business. Our precious metal product lines were continuously improving. In 2011, we were awarded “Most Outstanding Trading Member-first Prize” and “Award for Gold Trading” by Shanghai Gold Exchange.

### *Distribution Channels*

#### Branch Outlets

In 2011, aiming at stabilizing township outlets, adjusting county outlets and optimizing urban outlets, we continued to refine our branch outlets layout, implement standardized transformation and reconstruction of branch outlets and enhance marketing capabilities effectively. We completed the relocation of 671 branch outlets, the standardized transformation and reconstruction of 3,325 branch outlets in 2011, and established 14,601 branch outlets with specific functional zones, representing an increase of 2,676 as compared to the end of previous year. We have set up 17,034 self service centers and 12,059 branch outlets with VIP service centers.

## Electronic Banking

We were dedicated to establishing a network of E-banking transaction channels (e.g. Internet banking, telephone banking, mobile banking, self-service banking and E-commerce) and a network of E-banking services channels (e.g. customer service centers, portal websites and information services platforms) to provide flexible, efficient, convenient and security e-finance services to the customers. In 2011, we completed approximately 21,083 million electronic transactions, increased by 45.52% compared to 2010, accounting for 62.6% of our total number of transactions, representing an increase of 6.33 percentage points compared with the previous year. In 2011, leveraging on high-quality customer service and good feedbacks, our electronic banking brand “Golden E” was granted three awards in the fourth session of E-finance “Golden Cup Award”, including “Top Ten User Rated Electronic Finance Brand in 2011”, “Most Competitive E-Banking Brand in 2011” and “Best Electronic Finance Enterprise in 2011”.

### *Internet Banking*

We have adopted the most advanced Internet technology to innovate and upgrade internet banking functions and streamline business processes and improve the services to our customers. In 2011, we have introduced various functions in retail Internet banking such as money transfer through Western Union, “Jin Shi Tong”, self-registration of retail Internet banking and “Yin Yi Tong”. At the end of 2011, we had 65.27 million retail Internet banking customers and the total transaction volume for our Internet Banking was RMB61.29 trillion.

In 2011, with the successful launch of Zhirui version, we have established our corporate e-banking system comprising Zhixin Version, Zhirui Version, Zhibo Version and Zhiyi Version, which provided differentiated services to various customers including micro, small and medium, and large enterprises as well as conglomerates. Besides, we continued to extend our service offerings to include large inter-bank real-time batch payment, retail large batch payment and inter-bank payroll agency services. At the end of 2011, we had 1,285,900 corporate Internet banking customers and the total transaction volume for our corporate Internet Banking was RMB45.63 trillion.

In 2011, we continued to enhance our quality of service and extend the influence of our portal websites by modifying the wealth management channel, building online business outlets, upgrading the credit card channel and launching websites of overseas branches. The click-through rate of our portal websites exceeded 3.36 billion, ranking high among the banking websites in China in 2011.

### *Telephone Banking*

In 2011, we have established a “3+3” customer service system consisting of three customer service centers at head office level in Tianjin, Chengdu and Shanghai and three provincial customer service centers in Jiangsu, Zhejiang and Guangdong. In addition, we promoted the launch of V4.2 of Phone Banking, upgraded functions such as foreign exchange and pension, and provided small-amount loans to rural households with Huinong Cards. We also developed differentiated customer segmentation service system to improve the service quality of private banking service. We refined the synergistic customer service system to enhance our ability of market response. During the reporting period, we have received 468 million calls via our 95599 customer service center.

### *Mobile Banking*

In 2011, we provided our customers comprehensive financial services, such as account notification, money transfer and fee payment as well as investment and wealth management, through our mobile phone banking channels consisting of Mobile Banking (WAP), Mobile Banking (3G) and SMS Banking. We added new features such as alert messages, wealth management and investment and credit card payment. At the end of 2011, our mobile banking business had 34.83 million retail customers and the annual transactions volume amounted to RMB156,326 million. We also had 98.06 million customers contracted for our SMS Banking with a total of 4,862 million short messages sent to our contracted customers.

### *Self-Service Banking*

In 2011, we have expedited the establishment of consolidated self-service platform, upgraded the self-service terminals and launched new features such as Huinong cards and self-registration of clinics. The centralized transfer phone system was put into service and promoted inter-bank money transfer by phone. At the end of 2011, we had 64,775 cash-related self-service banking facilities, which was the top among large commercial banks, with an annual total transaction volume of RMB7.02 trillion. We had 24,854 non cash-related self-service banking facilities with an annual total transaction volume of RMB1.98 trillion. We had 2.94 million telephones for money transferring and the total transaction volume of the year amounted to RMB9.59 trillion.

### *E-Commerce*

In 2011, we continued to improve the E-commerce payment and settlement system. Coping with customers’ differential demands and various business models, we introduced typical applications, such as B2C general payment platform, B2B general payment platform, direct sale of Funds payment platform, online market payment platform and online tendering payment platform. Various ways of payment including “Mobile WAP Payment”, “Phone Wallet Payment” and “Mobile Banking Payment” were launched to provide online services of collecting and making payment and various value-added services for more than 2,000 enterprises. At the end of 2011, our merchant’s network had 3,716 members, with a total transaction volume of RMB394,824 million.

## ***International and Integrated Operation***

In 2011, we steadily moved forward in the layout and development of overseas branch outlets. The applications for the establishment of Agricultural Bank of China (UK) Ltd. and our Seoul Branch were approved by the relevant overseas regulatory authorities in November, 2011 and opened business in February 2012 in London and Seoul, respectively. The applications for the establishment of a subsidiary in Dubai and representative offices in Vancouver and Hanoi were approved by the CBRC in July. The application for the upgrading of representative office in Sydney to branch was approved by the CBRC in September. By pursuing a prudent operating strategy, our branches in Hong Kong and Singapore have further optimized asset allocation and customer structure, strengthened joint marketing and synergistic business development between domestic and overseas branches, and actively launched new products of private banking and RMB offshore business while consolidating our traditional leading businesses. The development of our overseas businesses has maintained their growth momentum. ABC International Holdings Limited endeavored to establish a diversified business platform and promoted the synergistic development of various core investment banking businesses inside and outside Mainland China. At the end of 2011, total assets of our overseas branches and subsidiaries reached RMB124,703 million, and the net profit was RMB887 million.

We actively and steadily implemented pilot program of integrated operation to improve financial services, reinforce business synergies and enhance capabilities of serving customers in different markets. We have established subsidiaries including ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited and ABC Financial Leasing Co., Ltd., and basically built an integrated operation platform covering commercial banking, fund management, investment banking and financial leasing. Great progress was made to penetrate into the insurance industry by reaching an agreement to increase our stakes in Jiahe Life Insurance Co., Ltd. in February 2011.

### ***Major Subsidiaries***

#### **ABC International Holdings Limited**

ABC International Holdings Limited serves as our investment banking operating platform and mainly engages in full service of investment banking including direct investment, corporate finance, securities brokerage and assets management. Its registered capital amounted to HKD2.913 billion, 100% of which was held by the Bank. At the end of 2011, the total assets of ABC International was HKD4.160 billion, the equity attributable to the owners was HKD3.325 billion and the net profit was HKD123 million.

In order to strengthen the synergies between domestic and overseas businesses, on 23 December 2010, ABC International established a subsidiary named ABC International Investment Consulting (Beijing) Co., Ltd. in Beijing. ABC International Investment Consulting (Beijing) Co., Ltd. established a subsidiary named ABC Guolian Wuxi Investment Management Co., Ltd. through its wholly-owned subsidiary, ABC Wuxi Investment Co., Ltd.. On 15 November 2011, ABC Guolian Wuxi Investment Management Co., Ltd. set up ABC Wuxi Equity Investment Fund with an initial amount of RMB5 billion.

#### ABC-CA Fund Management Co., Ltd.

The registered capital of ABC-CA Fund Management Co., Ltd. amounted to RMB200 million, of which RMB103 million was contributed by the Bank, representing 51.67% of the shareholdings. At the end of 2011, ABC-CA Fund Management Co., Ltd. managed 11 public offerings of funds, including stocks, mixed funds, bonds, monetary market funds and index funds, with the size of assets amounted to 16.288 billion and a total net value of RMB14.534 billion. The equity attributable to owners was RMB271 million and the net profit of the year was RMB44 million.

#### ABC Financial Leasing Co., Ltd.

The registered capital of ABC Financial Leasing Co., Ltd. was RMB2 billion, 100% of which was held by the Bank. ABC Financial Leasing Co., Ltd. primarily engages in financial leasing. At the end of 2011, the total assets was RMB13.795 billion, the equity attributable to owners amounted to RMB2.178 billion and the net profit was RMB158 million.

#### Agricultural Bank of China (UK) Ltd.

The registered capital of Agricultural Bank of China (UK) Ltd. was USD100 million, 100% of which was held by the Bank. Agricultural Bank of China (UK) Ltd. engages in corporate financing business, including corporate deposits, bilateral loans, syndicated loans, trade financing, international settlement, foreign exchange and derivatives.

#### China Agricultural Finance Co., Ltd.

The registered capital of China Agricultural Finance Co., Ltd. was HKD589 million, 100% of which was held by the Bank.

#### ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company, which was established in August 2008 in Hanchuan, Hubei with the registered capital of RMB20 million, 50% of which was held by the Bank. As of 31 December 2011, ABC Hubei Hanchuan Rural Bank Limited Liability Company had total assets of RMB160 million, loans of RMB81 million and deposits of RMB129 million and the net profit was RMB4.8592 million.

#### ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company, which was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region with the registered capital of RMB19.60 million, 51.02% of which was held by the Bank. As of 31 December 2011, ABC Hexigten Rural Bank Limited Liability Company had total assets of RMB171 million, loans of RMB107 million, deposits of RMB137 million, and the net profit was RMB3.96 million.

## ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company, which was established in March 2010 in Ansai County, Yan'an City, Shaanxi Province with the registered capital of RMB20 million, 51% of which was held by the Bank. As of 31 December 2011, ABC Ansai Rural Bank Limited Liability Company had total assets of RMB135 million, loans of RMB60 million, deposits of RMB83 million, and the net profit was RMB1.75 million.

## ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company, which was established in May 2010 in Jixi County, Xuancheng City, Anhui Province with the registered capital of RMB29.40 million, 51.02% of which was held by the Bank. As of 31 December 2011, ABC Jixi Rural Bank Limited Liability Company had total assets of RMB187 million, loans of RMB101 million, deposits of RMB137 million, and the net profit was RMB4.59 million.

## *Information Technology*

During the reporting period, the construction of our new core banking system has made smooth progress, and the system of IT products kept improving. We have basically established a centralized framework of information system, and maintained the secure and smooth operation of the information system and further improved our IT governance.

### Smooth Progress in the Construction of New-generation Core Banking System

BoEing is the core part of the construction of our new-generation banking system, which will be a fundamental information and operation platform for our development in the next ten years. During the reporting period, we have completed the outline design of various applications and basically completed the development of main modules of the system. We established the BoEing test environment and the test is ongoing. We commenced upgrading of the peripheral systems of BoEing. The upgrading objects and scope were set and the upgrading programs were determined.

### Increased Efforts on Research and Development of Information Technology Products

We implemented the construction of several major information systems to provide a strong technology support for product innovation and operating decisions. Three major projects of “centralized operation, centralized authorization and centralized supervision” were being promoted to the whole Bank and the overall operational workflow was reorganized and optimized. As such, a new operating system with separate front, middle and back offices has been established which strengthened risk control and enhanced performing efficiency. The new assets and liabilities management system commenced operation and realized centralized fund management by the head office. The financial information system III has improved the capability of financial risk prevention

and control, which ensured the smooth implementation of financial centralization reform in the tier-1 branches. Information centralization from overseas institutions of branches in Hong Kong and Seoul was completed and the major application platform used by overseas institutions was integrated by our self-developed system, and all overseas institutions was promoted successfully. Projects such as IC card project, new human resources information system, tangible assets management sub-system of logistics support integrated management platform, fund transaction management system V2.0 and centralized self-service terminal platform were successfully put into service or promoted.

### Continuous Improvement in IT Infrastructure

We continued to improve and integrate IT infrastructure aiming at ensuring structural security and stability and improve the efficiency of resources. We have launched various major infrastructure projects, including the upgrading of host system, integration of open platform system, the optimization of Internet system, the standardization of computer rooms in branches, information security and outlets network integration, all of which have significantly improved the carrying capacity and utilization rate of our infrastructure. We realized electronic operation in the outlets of urban, county and major villages and towns in Tibet and completed the information centralization, processing centralization and the electronic connection with the outlets bank-wide meanwhile.

### Secure and Stable Operation of Information System

We are a leader in the domestic banking industry in terms of our information system's processing capability and operating efficiency, which provide a stable and efficient technological platform for our business operations. We pushed forward the construction of an integrated production and operation system, contingent management system and disaster recovery management system, which made our operation more regulated and standardized. A production and operation control center was set up at the head office to formulate and release contingency plan of information system and organized contingency exercises. Our contingency management was coming to be a routine job. The establishment of disaster recovery management system in "two places and three centers" made steady progress and the fundamental environment was gradually built up. Our capability of risk management and control was continuously enhanced. The overall information system realized a stable operation as the average daily transaction volume was over 100 million and achieved a significant growth of 29.36% compared to the previous year. In 2011, the utilization rate of the core operating system of the Bank reached 99.98%.

### Continuous Improvement of IT Governance

We continued to explore efficient ways to improve IT governance. In order to optimize the IT decision-making system, we set up a Technical Experts Committee of IT Construction to strengthen the scientific and rationalized decision making ability of information technology. We enhanced the cooperation and coordination between IT and the other business departments as well as branches. We promoted the research and design of the construction of a risk management system for information technology. We built a continuous improvement system for a long term through conducting risk evaluation and inspection on a regular basis and focused on strengthening the prevention and control of risk by technological means. We promoted the construction of information technology system and developed the engineers culture bank-wide.

## *Human Resources Management and Organization Management*

### Human Resources Management

#### *Comprehensive Human Resources Reform*

During the reporting period, we continued to promote comprehensive human resources reform with the aim of establishing a modern human resources management system. The organisations within head office were restructured and rationalized and the responsibilities of different departments were clearly defined to enhance operational efficiency. We implemented systematic reforms of different positions and commenced a pilot scheme by recruiting talented employees for senior professional positions. A performance management and assessment system which divided all staff into different grades and categories was implemented. The results of the assessment were ranked by categories and the performance grades were divided into designated distribution. We also improved the practical application of these assessment results. We carried out a reform of the new remuneration system by adopting a policy of “determining remuneration in accordance with the position, performance and ability of staff”.

#### *Development and Cultivation of Human Resources*

During the reporting period, we continued to strengthen team building within management. We selected senior managers from tier-1 branches and departments in head office from different professions and business divisions and cultivated a young and talented senior management team. We also put greater efforts into strengthening team building between the management of branches in major cities and County Areas. We continued to carry out our internship programme which requires new head office employees to work in branch outlets and established a system for selecting talented managers from branch outlets. We further enhanced the exchange system between the management of head office and branches, eastern and western regions as well as internal staff and external personnel.

We continued to strengthen team building efforts to improve the effectiveness of human resources management. We set up a recruitment system with various recruitment channels for recruiting graduates from schools, senior staff from open recruitment, contracted labours for frontline positions and college graduates as “village officials” for County Areas. In order to optimize the allocation of human resources, we controlled the total number of employees and focused on matching employees with suitable positions on the basis of cost control. We encouraged cross-profession and cross-department talent flow. Human resources management of overseas operations was also standardized and regulated by strengthening the recruitment, reserve, training and ability to recruit talented staff for overseas institutions.

We carried out training as needed and adopted innovative training methods and tactics to improve the quality of employees. During the year, we provided training for nearly 5,000 senior management, 35,000 professionals and 680,000 basic-level employees. We continued to implement an internal qualification system and all frontline staff at key positions were required to complete assessments in connection with their positions. We also organized “ABC Lecture”, a forum for senior staff and started a new round of recruitment and training of internal trainers. By improving the internal training facilities and exploring external training resources for senior staff, an online



academy for all employees of the Bank was established, which has already accumulated over 3 million visitors since it began operation.

### *Management of Remuneration and Benefit*

We pushed forward with the reforms of the remuneration and benefit management system to establish and improve a position-based and market-oriented remuneration system in order to increase the competitiveness of our remuneration packages and to attract and inspire talents. We established an open and transparent salary distribution system to strengthen the link between remuneration and productivity and we assessed employees' remuneration by focusing more on the economic value added. Our strategy and business transformation was supported through the development of specific incentive measures for branches of major cities and County Areas and increasing the incentive strategy. We proceeded with the enterprise annuity program, gradually established an enterprise annuity and bank-wide supplementary medical insurance system and optimized the pension and medical welfare system for our staff. We initially established a remuneration and benefits system which meet the need of a modern commercial bank's business management.

### Information on Employees

We had 447,401 employees (and additional contracted labor of 42,720) at the end of 2011, representing an increase of 2,954 persons over last year. Among our employees, 167 were at our major domestic subsidiaries and 334 were local employees at our overseas institutions.

### *Distribution of Employees of the Bank by Regions*

	<b>31 December 2011</b>	
	<b>Number</b>	<b>Percentage (%)</b>
	<b>of Employees</b>	
Head Office	6,363	1.4
Yangtze River Delta	56,962	12.8
Pearl River Delta	46,995	10.5
Bohai Rim	59,331	13.3
Central China	101,093	22.6
Northeastern China	53,385	11.9
Western China	122,771	27.4
Sub-total of Domestic Branch Outlets	446,900	99.9
Major Domestic Subsidiaries	167	0.0
Overseas Institutions	334	0.1
<b>Total</b>	447,401	100.0

Distribution of Employees of the Bank by Departments

	<b>31 December 2011</b>	
	<b>Number</b>	<b>Percentage (%)</b>
	<b>of Employees</b>	<b>Percentage (%)</b>
Corporate Banking	67,661	15.1
Retail Banking	182,636	40.8
Treasury Operations	3,089	0.7
Financial and Accounting	62,160	13.9
Management	14,719	3.3
Risk Management, Internal Control and Legal Affairs	41,602	9.3
Information Technology	12,224	2.7
Others	63,310	14.2
<b>Total</b>	<b>447,401</b>	<b>100.0</b>

Education Background of Employees of the Bank

	<b>31 December 2011</b>	
	<b>Number</b>	<b>Percentage (%)</b>
	<b>of Employees</b>	<b>Percentage (%)</b>
Doctorate's Degree	325	0.1
Master's Degree	12,579	2.8
Bachelor's Degree	140,244	31.4
Associate Degree and Vocational School	166,994	37.3
Below College	127,259	28.4
<b>Total</b>	<b>447,401</b>	<b>100.0</b>

Age of Employees of the Bank

	<b>31 December 2011</b>	
	<b>Number</b>	<b>Percentage (%)</b>
	<b>of Employees</b>	<b>Percentage (%)</b>
30 or below	55,473	12.4
31–40	130,642	29.2
41–50	218,377	48.8
51 or above	42,909	9.6
<b>Total</b>	<b>447,401</b>	<b>100.0</b>

## *Management of Branch Outlets*

### Domestic Branch Outlets

At the end of 2011, we had 23,461 domestic branch outlets, including the Head Office, 32 tier-1 branches, five branches directly managed by the Head Office, 316 tier-2 branches, 3,479 tier-1 sub-branches and 19,628 other establishments.

### Number of Domestic Outlets by Regions

	<b>31 December 2011</b>	
	<b>Number of Domestic Branch Outlet</b>	<b>Percentage (%)</b>
Head Office <sup>1</sup>	7	0.0
Yangtze River Delta	3,106	13.2
Pearl River Delta	2,559	10.9
Bohai Rim	3,321	14.2
Central China	5,203	22.2
Northeastern China	2,230	9.5
Western China	7,035	30.0
Total of Domestic Branch Outlets	<u>23,461</u>	<u>100.0</u>

*Note:* 1. Including Head Office, business department dealing with discounted bills, VIP corporate customer department, the credit card center, Changchun Training Institute, Tianjin Training Institute and Wuhan Training Institute.

### *Overseas Branch Outlets*

At the end of 2011, we had three overseas branches and four overseas representative offices, namely the Hong Kong, Singapore and Seoul branches and the New York, Tokyo, Frankfurt and Sydney representative offices.

### *Major Subsidiaries*

At the end of 2011, our major domestic subsidiaries were ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company and ABC Jixi Rural Bank Limited Liability Company. Our major overseas subsidiaries included ABC International Holdings Limited, China Agricultural Finance Co., Ltd. and Agricultural Bank of China (UK) Ltd..

Please refer to “Discussion and Analysis — Business Review — International and Integrated Operation” for details.

## **County Area Banking Business**

We provided customers in the County Areas with a broad range of financial services through all branch outlets in counties and county-level cities. We refer to such banking business as the “County Area Banking Business” or “Sannong Banking Business”. During the reporting period, we increased the pace of our reform, utilized the synergistic strengths between the Urban Areas and County Areas and focused our efforts on innovating our products and services in order to extend the coverage of financial services in County Areas and solidify our leadership and dominant position in the County Areas.

### ***Mechanism Reform***

During the reporting period, we further strengthened the County Area Banking Division management system and clearly defined its duties. As a result of clarifying the duties at each level with branches and departments, the management system operated smoothly with a vertical organizational structure comprising 3 levels of supervision and guidance, i.e. the Head Office, tier-1 branches, tier-2 branches, and 1 level of operation, i.e. sub-branches in County Areas. Our management systems specially relating to the County Area Banking Division have been gradually improved, including improvements to accounting and reporting, credit management, capital management, provision and write-off, fund management and performance evaluation and incentive programs. In 2011, we passed pilot assessments conducted by the PBOC in connection with the County Area Banking Division Reform.

### **Product R&D**

We developed various bank-wide products for County Areas, including “Business Cluster Co-Guarantee Loan for SMEs” and “Jinyinong” self-service terminals. Each branch launched a series of products with regional features, including guaranteed loans to rural households secured by “three rights”, namely forestry rights, operating rights of land and residential house property ownership, guaranteed loans to SMEs in County Areas in relation to their special agricultural products, and cash management and settlement services for SMEs. We developed prepaid cards for new rural pension insurance and new rural cooperative medical insurance and expanded the available channels for rural households to withdraw money in order to satisfy the demand for basic financial services in County Areas. We also made greater efforts in connection with brand building and marketing for the County Areas. The product portfolio of the County Area Banking Business under the brand “Jinyinong” comprises of 84 specific products in County Areas and 275 banking products commonly used in both the Urban and County Areas. Our “Business Cluster Co-Guarantee Loan for SMEs” product was granted the “Award of Excellent SMEs Servicing Product” in the meeting of Excellent International Servicer for SMEs in 2011.

### **Credit Management**

We formulated a plan to establish a credit policy framework for County Areas, refined the authorization management system of the County Area credit business and further improved the guidelines for the annual credit policies, agriculture-related industrial policies and regional credit

policies. We built up professional credit approval teams for County Areas in the Head Office and pilot branches and established and refined the review and approval model, which involved both professional and independent review and the sharing of the credit approval platform with the Urban Area credit business. We formulated credit approval guidelines and unified the approval standards for some agriculture-related industries and carried out customer review and post-project evaluations. We established a standardized and comprehensive evaluation system of credit management with the ability to grant differential authorization to County Areas sub-branches based on the evaluation results. We also sought to streamline the management of loans to rural households by adopting centralized review and approval procedures and post-disbursement management for loans to rural householders in certain pilot branches.

## Risk Management

We further strengthened our comprehensive risk management system for the County Area Banking Business by enhancing the independence and effectiveness of risk management through a combination of improved organisational systems, policies and procedures, available tools and other measures. We increased the level of training for the on-site risk and compliance managers appointed to sub-branches in County Areas and promoted the sub-system of management for on-site risk and compliance managers in order to enhance the risk control capabilities of the on-site risk and compliance managers. We took steps to establish a preliminary credit risk monitoring system for the County Areas to conduct monitoring on a regular and real-time basis as well as for more specific purposes. In order to control the systematic risks of the County Area Banking Business, we carried out the management procedures in relation to the suspension and resumption of our County Area credit products and strengthened forecasting and addressing risks of natural disasters. Furthermore, we carried out reforms at the sub-branches in County Areas with high non-performing loans and conducted specific review on Huinong Card and loans to rural households.

## Fund and Capital Management

During the reporting period, we revised the administrative procedures connected to the management of assets and liabilities, capital, funds and pricing of the County Area Banking Business and refined the framework of the systems in place for assets and liabilities management of the County Area Banking Division. We formulated a value-oriented credit resource allocation model for County Areas according to the development strategies of the County Area Banking Business. We improved the operating model for separate capital management in County Areas by determining the working capital separately and carrying out separate budget management and performance evaluations of economic capital. Moreover, we implemented centralized treasury operation management in the County Areas and applied differential deposit reserve ratios in pilot branches of the County Area Banking Division so as to further improve the efficiency of the fund in County Areas. In addition, we refined the loan pricing management system in County Areas and established a separate pricing model based on the particular features of County Area business. Through managing the differentiated pricing and authorization of County Areas, we streamlined the management process and improved the pricing efficiency.

## Accounting and Performance Review

The separate accounting and reporting systems of the County Area Banking Division were further improved. We refined the financial reporting system and modified the management regulations in relation to accounting and reporting in the County Area Banking Division. Also, we made further improvements to the performance management system of the County Area Banking Division. We formulated a performance appraisal policy for key sub-branches in the County Areas for 2011 and improved the grading system for sub-branches in the County Areas, the performance assessment systems for departments under the County Area Banking Division and the integrated performance assessment system for the County Area banking sub-division.

We launched separate recruitment programs in the County Areas and adopted various recruitment methods, such as campus recruiting, a recruiting program for university graduates who had been working as “village officials” and open recruiting, to expand the talent pool working in the County Areas. In 2011, we assigned 47% of our newly recruited graduates to sub-branches in County Areas. We further improved the mechanism of separately determining the total amount of salaries with differentiated and favorable policies. To encourage the priority development of key business, we adopted policies giving bonuses to key sub-branches in County Areas showing good performance and launched incentive policies to promote the strategic development of Huinong Card and small-amount loans to rural households. We strengthened the team building of management of sub-branches in the County Areas through the exchange and open selection. The leaders of sub-branches were trained at the head office directly and the head office also trained university graduates who had been working as “village officials”.

### ***County Area Corporate Banking Business***

During the reporting period, we continued to improve and promote our core development plan for rural industrial financial business by focusing on agricultural industrialization enterprises, small- and medium-sized enterprises in County Areas, urbanization, industries relating to the local population’s livelihood in County Areas and merchandise distribution. Taking advantage of the synergies between marketing and product portfolio, we further expanded our mid- to high-end customers base in County Areas, strengthened fundamental management and marketing capabilities, enhanced risk control and prevention and further consolidated our competitive advantage in County Areas.

To enhance product innovation, we have developed five integrated service solutions targeting leading industrialization enterprises, industrial clusters, major markets, featured agricultural industries and tourism and launched “Business Cluster Co-Guarantee Loan for Small- and Medium-sized enterprises in County Areas”. We refined nine of our products, namely the seasonal procurement of loans, financing and credit facility insurance services for customers in the agricultural industrialization sector, chattel and receivables mortgage financing for small- and medium-sized enterprises in County Areas, loans for hospitals and high schools in County Areas, loans for commercial reserves of fertilizers during slack season, loans for building the market for merchandise distribution and loans for construction industries in County Areas. The adaptability and competitiveness of these products were improved.

We have improved the management of our marketing strategy for core customers by establishing a list of core customers under direct management of the head office of the Rural Industries Banking Department, setting up a designated team of customer service managers and optimizing solutions for integrated financial services, credit approval and post-disbursement management. We adopted the marketing strategy of “head office to head office” for leading customers in rural industries in order to strengthen cooperation with corporations. We also organized conferences for high-end customers in County Areas introducing them to listings in order to serve as a bridge between customers and the capital markets home and abroad.

At the end of 2011, loans for corporate customers in County Areas were RMB1,189,992 million, representing an increase of RMB152,036 million or 14.6% over last year. The balance of corporate deposits for County Areas was RMB1,280,054 million, representing an increase of RMB110,026 million or 9.4% over last year.

### ***County Area Retail Banking Business***

We continued to expand the network coverage through electronic channels in County Areas. At the end of 2011, a total of 25,000 cash-related self-banking facilities such as ATMs and CRSs, 201,000 POS machines and 1,368,000 tele-transfer machines were set up in County Areas, further strengthening our multi-channel advantage in County Areas. At the end of 2011, the total number of Huinong cards issued amounted to 98.22 million. Huinong Cards won the award of Outstanding “Sannong” Banking Services award in the 2011 China International Finance Exhibition.

We further promoted the consumption loans for wage-earners in County Areas by expanding the scope of authorization in 15 branches in respect of the pilot areas, entry threshold, guarantee and credit limit, resulting in the strengthening of the competitiveness of our credit products in County Areas. Loans to rural households maintained steady growth and reached RMB107,825 million at the end of 2011.

We expanded the new rural insurance agency and rural cooperative medical insurance businesses and further enhanced the incentivisation of the sales agency business at sub-branches in County Areas. At the end of 2011, 1,205 sub-branches secured the agency business of new rural insurance and new rural cooperative medical insurance with funds collected and distributed amounting to RMB83.7 billion and RMB62 billion, respectively.

At the end of 2011, the balance of loans and deposits for our County Area Retail Banking Business amounted to RMB536,420 million and RMB2,636,464 million, representing an increase of 22.6% and 11.7% compared to the end of the previous year, respectively.

### ***Financial Position***

#### **Assets and Liabilities**

At the end of 2011, the total assets of the County Area Banking Business reached RMB4,394,520 million, representing an increase of 14.3% over the end of previous year. Net loans and advances to customers reached RMB1,668,337 million, representing an increase of 15.5% over the end of previous year, which was 2.7 percentage points higher than the growth rate of our overall business. Total deposits from customers reached RMB4,014,015 million, representing an increase of 11.1% over the end of previous year, which was 2.8 percentage points higher than the growth rate of our overall business.

The table below sets out the major items of assets and liabilities of the County Area Banking Business at the dates indicated.

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	1,751,535	—	1,505,286	—
Allowance for impairment losses	(83,198)	—	(60,376)	—
Loans and advances to customers, net	1,668,337	38.0	1,444,910	37.6
Intra-bank balance <sup>1</sup>	2,423,092	55.1	2,196,002	57.1
Other assets	303,091	6.9	202,774	5.3
<b>Total assets</b>	<b>4,394,520</b>	<b>100.0</b>	<b>3,843,686</b>	<b>100.0</b>
Deposits from customers	4,014,015	96.6	3,612,346	97.9
Other liabilities	143,389	3.4	77,428	2.1
<b>Total liabilities</b>	<b>4,157,404</b>	<b>100.0</b>	<b>3,689,774</b>	<b>100.0</b>

Notes: 1. Intra-bank balance refers to funds provided by our County Area Banking Business to other businesses within the Bank through internal funds transfers.

## Profit

In 2011, the profit before tax of our County Area Banking Business increased by 61.4% compared to 2010 to RMB55,718 million, primarily due to the continuous growth of the County Area Banking Business as well as an improvement in the structure of interest-earning assets and an increase of net interest spread resulting in an increase in interest income. In addition, income from the fee- and commission-based businesses also maintained steady growth.



The table below sets out the major income items of the County Area Banking Business for the years indicated.

*In millions of RMB, except for percentages*

	<b>2011</b>	2010	Change	Growth Rate (%)
External interest income	<b>105,835</b>	76,969	28,866	37.5
Less: External interest expense	<b>56,656</b>	40,976	15,680	38.3
Interest income from intra-bank balance	<b>70,899</b>	53,479	17,420	32.6
<b>Net interest income</b>	<b>120,078</b>	89,472	30,606	34.2
<b>Net fee and commission income</b>	<b>25,020</b>	16,967	8,053	47.5
Other non-interest income	<b>1,453</b>	1,486	(33)	-2.2
<b>Operating income</b>	<b>146,551</b>	107,925	38,626	35.8
Less: Operating expenses	<b>67,815</b>	55,873	11,942	21.4
Provisions for impairment losses	<b>23,018</b>	17,525	5,493	31.3
<b>Total profit before tax</b>	<b>55,718</b>	34,527	21,191	61.4

#### Key Financial Indicators

During the reporting period, the key financial indicators of the County Area Banking Business continued to improve. Return on average total assets was 1.04%, representing an increase of 0.27 percentage point over the previous year. Asset quality kept improving, the non-performing loan ratio was 1.96% at the end of 2011, and the gap between the asset quality of the County Area Banking Business and that of our overall business has been further reduced. Risk resistance has been further strengthened. At the end of 2011, the allowance to non-performing loans was 241.78% and the allowance to total loans was 4.75%.

The tables below set out the key financial indicators of our County Area Banking Business at the dates or for the years indicated.

	<i>Unit: %</i>	
<b>Item</b>	<b>2011</b>	2010
Return on average total assets	<b>1.04</b>	0.77
Average yield of loans	<b>6.41</b>	5.51
Average cost of deposits	<b>1.47</b>	1.22
Net fee and commission income to operating income	<b>17.07</b>	15.72
Cost-to-income ratio	<b>41.83</b>	47.43

<b>Item</b>	<b>31 December 2011</b>	31 December 2010
Loan-to-deposit ratio	<b>43.64</b>	41.67
Non-performing loan ratio	<b>1.96</b>	2.51
Allowance to non-performing loans	<b>241.78</b>	159.92
Allowance to total loans	<b>4.75</b>	4.01

## **Risk Management**

### ***Comprehensive Risk Management System***

Comprehensive risk management refers to timely identification, measurement, monitoring and control of existing or potential risk in business operation of all aspects, processes and staff through the integration of the trend of risk management strategies and appetite, policies, organizations, tools and models, database and risk culture, so as to ensure effective risk management in decision making, implementation and supervision. In 2011, we formulated the risk appetite statement, improved the risk management policy system, refined the risk management structure, facilitated the implementation of The New Basel Capital Accord, strengthened the information system, and enhanced the scientific measuring system and refined the sophistication of the risk management. We further applied the internal rating results of credit risk. We optimized the economic capital measurement, improved the 12-category classification system for loans to corporate customers, steadily increased risk allowance, and strengthened our risk exposure limit management. We actively promoted the Internal Models Approach (IMA) project for market risk, Advanced Measurement Approaches (AMA) project for operational risk and Internal Capital Adequacy Assessment Process (ICAAP) and carried out preparations for the implementation of new regulatory standards. We also refined the risk evaluation system for branch outlets, strengthened the risk monitoring and reporting and reinforced the ideologies and culture of risk management. We also improved the consolidated management framework and enhanced the risk control of the Group.

### **Risk Appetite**

Risk appetite is a term that refers to the types and levels of risks acceptable to the Bank as determined by the Board of Directors, which depends on the expectations and requirements of our major stakeholders, external operating environment and the conditions of the Bank, in order to achieve strategic targets and effective risk management. We adopt a prudent risk appetite. In 2011, being reviewed and adopted by the Board of Directors, we formally issued the risk appetite statement and the administrative measures on risk appetite. The risk appetite statement has described the types and levels of risks which were accepted by the Bank during the course of operations, interpreted our prudent risk appetite with qualitative and quantitative methods and established the limitation of risk, and stipulated the basic principles for formulating various risk management policies. The administrative measures on risk appetite mainly addressed the implementation of risk appetite and established the general principles for the formulation and adjustment, management duties and implementation of risk appetite.

In general, we maintain prudent risk appetite. We are in compliance with regulatory and legal requirements, while implementing The New Basel Capital Accord and other new regulatory standards. At the same time, we seek to achieve moderate return with reasonable level of risk by maintaining security, profitability and liquidity and insisting on having a balance between capital, risk and revenue. We maintain sufficient risk coverage and capital adequacy, improve overall risk management capability for business development and innovation and create a value through risk management, so as to efficiently support the realization of our strategic targets.

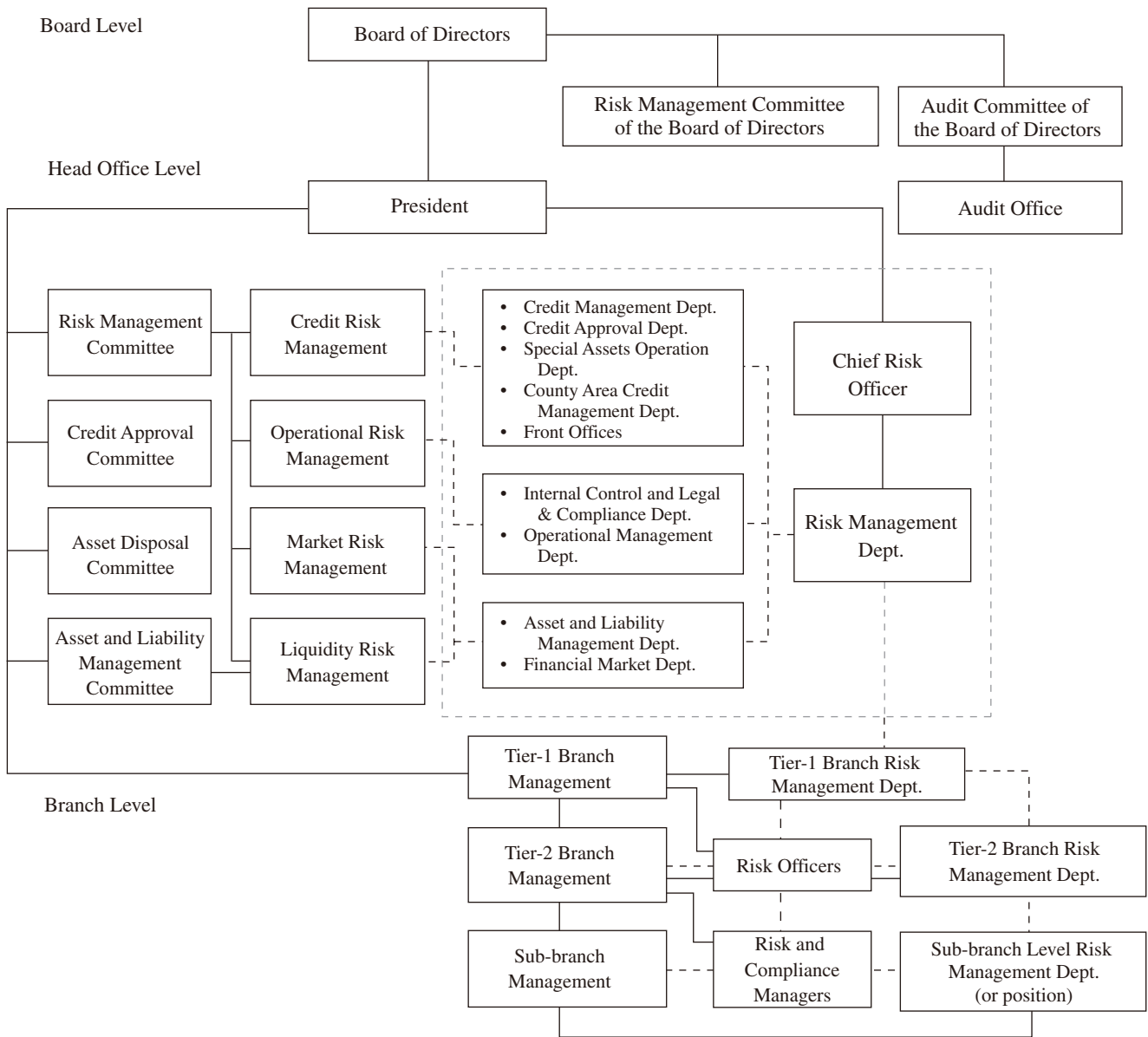
## Risk Management Structure

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management Committee and the Audit Committee under the Board of Directors perform the risk management functions, review the key risk issues and supervise the operation of risk management system and the risk condition of the Bank.

Senior Management is the organizer and executor of risk management of the Bank. Under the Senior Management, we have various risk management committees with different functions, including Risk Management Committee (with three sub-committees, namely credit risk committee, market risk committee and operational risk committee), Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Risk Management Committee is mainly responsible for analyzing and evaluating the overall risk of the Bank, reviewing annual risk exposure limit and managing the implementation of plans, reviewing policies and measures related to risk management, and reviewing, supervising and coordinating the risk management of all departments and branches.

In 2011, we continued to refine the risk management organizational structure. At the head office level, the former Credit Management Department and Credit Administration Department were restructured and formed the Credit Approval Department and Credit Management Department, respectively. The former Asset Disposal Department was restructured and renamed as Special Assets Operation Department. The former Internal Control and Compliance Department and Legal Affairs Department were merged to form Internal Control and Legal Compliance Department. At the branch level, we focused on the operation trainings for the on-site risk compliance managers in sub-branches to further enhance their ability.

## Risk Management Structure



### Risk Management System

In 2011, we continued to refine the risk management policy system. We enhanced the establishment of the policies for various specific risk management, and formulated the measures and operational rules for classification of credit risk exposure of banking accounts, measurement and management of risk-weighted assets, country risk management, management of credit risk exposure limit, risk management associated with the maturities of loans, quantized risk parameters of internal rating, verification of internal rating system, valuation of treasury transactions and investment business, and rolling inspection of risk of individual deposits. We revised the policies and procedures of credit management based on the IRB approach. We formulated rules for diligence and supervision of risk management and further enhanced the vertical risk management. In addition, we revised the measures on the risk evaluation and refined the evaluation mechanism of risk of branch outlets.

## **Column: Focusing on the Implementation of The New Basel Capital Accord to Enhance Overall Risk Management Standard of the Bank**

In recent years, we achieved significant improvement in overall risk management by continuing to push forward the implementation of The New Basel Capital Accord, and strengthening the utilization of risk evaluation results and the risk management tools. During the reporting period, we finished the development of IRB approach for credit risk (including non-retail exposures foundation IRB approach and retail exposures IRB approach), standardized approach for market risk and operational risk for first pillar under The New Basel Capital Accord, pursuant to the requirements of the CBRC, and carried out self-assessments. The on-site assessments on our implementation of The New Basel Capital Accord were conducted by the CBRC. Meanwhile, we launched projects such as IMA for market risk, Internal Capital Adequacy Assessment Process (ICAAP) and the optimization of calculation engine of credit risk-weighted assets. We have actively taken steps to launch the AMA for operational risk.

**The non-retail exposures foundation IRB approach for credit risk was comprehensively implemented.** We completed the development of industrial and regional rating models and 33 customer rating models, and established a core rating benchmark with 16 grades for the Bank. The internal audit and independent verification from the third party were completed. During the reporting period, we conducted in-depth analysis on the effects of the adoption of 16-grade non-retail internal rating system on customer entry threshold, methods of credit approval and performance appraisal. Thereafter, we set up a joint working group to amend more than 140 policies regarding the application of internal rating system, which assured the implementation of IRB approach bank-wide. We applied the rating results in core and major areas, including credit approval, exposure limit to specific industries, credit policies, risk monitoring and reporting, risk appetite, loan pricing, performance appraisal, twelve categories of loans, allowance for impairment losses, economic capital measurement, establishment of information system, risk management resources allocation and risk culture, so as to effectively strengthen the risk management of the Bank.

**The construction of retail exposures IRB approach for credit risk was completed.** We developed 40 scorecards for three categories (application, behavior and collection), and divided retail risk assets into 373 pools to calculate three types of risk parameters (probability of default (PD), loss given default (LGD) and exposure at default (EAD)). During the reporting period, we conducted pilot program at eight branches, by analysing the feasibility of scorecards and rating mechanism and system, and continued to revise the policy and develop the rating system and data warehouse. At the end of 2011, for retail customers applying for credit card, the new rating system has been adopted bank-wide and that of loans for retail customers applied in parallel with the existing rating system. The retail risk data warehouse was implemented in all branches and the internal audit and independent verification from third party were commenced.

**The IMA for market risk gained phased achievements.** During the reporting period, we actively pushed forward the development of IMA for market risk, and completed the analysis on gap and demand. Compliance plan and implementation program of IMA for market risk were formulated. We developed the data warehouse and system of standardized approach for market risk. We also conducted Proof of Concept (POC) of the IMA calculation engines which were recognized by the market, among which, we introduced and started to plan the implementation of Sungard as our IMA calculation engine for market risk, which is an advanced international system. The validation of market data regarding interest rate curve and volatility surface was completed and we actively carried forward the validation of VaR model, including the valuation model, backtesting and stress testing, etc.

**We pushed forward the implementation of the AMA for operational risk management.** During the reporting period, we initiated the project on the implementation of the AMA for operational risk. We started, throughout the whole Bank, to collect, coordinate and analyze the loss data, enhanced the key risk indicating system, continued to promote the 3 bank-wide assessments for operational risk, so as to strengthen the data fundamentals for calculating operational risk. Leveraging the ideology of the AMA, we optimized the economic capital calculation, which was currently based on the standardized approach, to enhance the risk sensitivity towards economic capital.

**We initiated framework for Internal Capital Adequacy Assessment Process (ICAAP).** During the reporting period, we actively engaged in the establishment of ICAAP, and completed the framework construction including governance framework, identification of significant risk, measurement of economic capital, bank account interest rate risk and the management and measurement of liquidity risk. We also started the formulation of capital contingency plan that complies with the requirements of second pillar under The New Basel Capital Accord.

## Risk Analysis and Reporting

In 2011, we further enhanced risk analysis and reporting. We continued to keep track of the changes in external economic and financial environment as well as the adjustments of industrial policies of the PRC. We also analyzed and assessed the risk of the Bank and our branches, and regularly submitted risk reports to the Board of Directors, Board of Supervisors and Senior Management. We revised the risk monitoring and reporting policies and further improved and refined the management of risk reporting. We pushed forward the construction of the risk monitoring and reporting system, and utilized the management tools such as IRB system, calculation engine of risk-weighted assets, credit exposure limit and value at risk (VaR), so as to extend the breadth and depth of the risk analysis report by covering more information and including more in-depth analysis.

### *Credit Risk*

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

## Credit Risk Management

In 2011, we proactively responded to changes in macro-economic and financial environment and complied with the government's macro-economic control policies, pursuant to which we focused on restructuring, risk controls and foundations consolidation, so as to continue to refine the mechanism and system of credit risk management. We strengthened the risk control in key areas, strictly terminated loans to customers with potential risks and improved the recovery and disposal of doubtful and loss loans. In addition, we also enhanced the management of restructured loans and improved customer list-based management as well as industry-specific risk exposure limits management. We also adjusted and refined loan structure. In order to realize the automatic constraint and monitor the whole process, we refined our credit management system by incorporating the rules and procedures into IT system.

### *Credit Risk Management Structure*

The credit risk management system comprises the Board of Directors and its Risk Management Committee, the Senior Management and its Risk Management Committee, Credit Approval Committee, Risk Management Department, Credit Management Department, Credit Approval Department and front offices, forming a credit risk management structure characterized by centralized management and multi-level authorization.

### *Risk Management of Corporate Banking*

We strengthened the development of credit management policies and kept optimizing the loan structure. We formulated guidelines for credit policies and proposal for industry-specific credit exposure limit management for 2011. We expanded the coverage of industry-specific credit policies and issued the regional credit policy of Liangjiang New Area. We formulated administrative measures on risks associated with the maturities of loans to improve the management of the maturities of loans. We further enhanced the post-disbursement management by having regular meetings and periodical off-site inspections for key customers managed by the Head Office and tier-1 branches. Specialized administrative measures were issued for trust financing and small loan company financing to regulate the business development.

We further enhanced the fundamental role of economic capital as the risk measurement tool in guiding and adjusting business and promoted the transformation of operating mode. With the implementation of The New Basel Capital Accord, we calculated the economic capital of loans based on the risk parameter of IRB approach so as to enhance the accurate measurement and guiding function of economic capital and promote the transformation to a capital intensive operating mode.

We optimized credit authorization management and advanced the reform on credit approval mechanism. We amended the administrative measures on credit authorization, enhanced the differentiated authorization management, established an authorized mechanism with dynamic adjustment and strictly controlled the proportion and scope of sub-delegation. Approvals for credit authorization for high risk fields, such as government financing vehicles and real estate industry, were centralized and handled by the head office.

We further improved the risk management of industry-specific credit exposure limit. We carried out imperative credit limits management on steel, cement and real estate industries and strictly controlled the risk exposure. We carried out stress testing and operation inspections on relevant industries regularly to ensure the stability of assets quality and prevent systematic risk. We also developed an industry-specific credit exposure limit management system and achieved an automatic control of credit exposure limit.

We enhanced the risk control on key businesses and proactively mitigated potential risk. With regard to loans to local government financing vehicles, we strictly followed the regulatory requirements of the CBRC by adopting risk mitigation and prevention measures, such as prudently assessing repayment source, requesting for guarantees, ascertaining capital supervisory account, replenishing capital, optimizing repayment resolutions and implementing secondary repayment source. We strengthened the risk management of real estate loans by restricting terms of credit and managing real estate loan risk in respect of customer quality, project capital, guarantees and repayment progress. We reinforced the risk prevention of loans to Industries with high energy consumption, high pollution and overcapacity, strictly implemented the industry-specific exposure limits, and controlled entry threshold and terms of credit. We adopted a strategy of supporting enterprises with good credit records and restricting loans to those with bad records, and prioritized the support to industrial leading enterprises, key customers and major projects.

#### *Risk Management of Retail Loans*

We improved the scorecards for retail loans, started a pilot program for retail IRB approach, and completed the development and application of the rating system of retail loan application. A comprehensive revision of policies on retail loans has made progress. We strictly carried out the suspension and resumption management of retail loans and implemented penetrating supervision on tier-2 branches and sub-branches. We improved the management of retail loan collection and explored the way of centralized collection by telephone. We continued to improve the centralised management for retail loans and realized the whole-process risk management for retail loans regarding the processes of pre-loan, credit approval and post-disbursement.

#### *Risk Management of Credit Card Service*

We formulated and issued nine regulations and measures, such as outsourcing credit card payment collection, POS equipment management and operational procedures of credit card risk for information system, and further strengthened the risk management of credit card service. With the grading model for application under the retail IRB approach successfully applied, we effectively improved the risk identification of new applicants and scientifically determined their credit limit. We improved the quality of customers by enhancing the management of credit card overdrawn limit, reinforcing the identification of extraordinary behaviours in overdrawn transactions to effectively prevent large-amount transactions with high risk and cash outs. We developed a collection system for credit card, and realized the integrated management of centralized and regional collection.



### *Risk Management of Treasury Operations*

We formulated policies of annual credit risk management on treasury transactions, and established a credit evaluation system for bonds in the financial market and a synergistic post-investment management system to prevent credit risk of bond investment. We further standardized approval management and computerized the control on the transaction limit for treasury operations, conducted researches for establishing a risk management mechanism and framework of global treasury transactions, and strengthened daily monitoring and risk analysis of the sovereign and credit subjects.

### *Risk Management of the County Area Banking Business*

Please refer to the section headed “County Area Banking Business — Mechanism Reform-Risk Management” in this results announcement.

### *Loan Risk Classification*

We formulated and kept refining relevant regulations on loan risk classification in accordance with the “Guidelines of Loan Credit Risk Classification” issued by the CBRC. We assessed the recoverability of loans and classified the loans by taking account of principle factors, including the borrower’s repayment ability, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment source.

We adopted two classification systems: five-category classification system and 12-category classification system. Corporate loans were mainly managed with 12-category classification. Comprehensive evaluations of customer default risk and specific debt transaction risk objectively reflected the risk level of loans and improved the prospectiveness and sensitivity of risk identification. Retail loans and certain corporate loans in counties which satisfied the small business standards required by the CBRC were managed with the five-category classification system. The CMS automatically classified the loans based on the length of period by which payments of principal or interest are overdue and the collateral type and allows for a more objective risk assessment. In addition, the classification was timely adjusted based on the information collected in the credit management to reveal all risks objectively.

During the reporting period, we amended the policies related to risk classification of credit assets and further refined the classification standards, methods and procedures. In addition, we improved risk classification system of credit assets to enhance the system control and the standardization and efficiency of risk classification.

## Credit Risk Analysis

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

*In millions of RMB*

<b>Item</b>	<b>31 December 2011</b>	31 December 2010
Balances with central banks	<b>2,407,271</b>	2,020,679
Deposits with banks and other financial institutions	<b>131,874</b>	77,893
Placements with banks and other financial institutions	<b>212,683</b>	95,375
Financial assets at fair value through profit or loss	<b>68,052</b>	50,257
Derivative financial assets	<b>8,524</b>	9,173
Financial assets held under resale agreements	<b>529,440</b>	525,331
Loans and advances to customers	<b>5,398,863</b>	4,788,008
Available-for-sale financial assets	<b>650,013</b>	664,067
Held-to-maturity investments	<b>1,178,888</b>	1,036,658
Debt securities classified as receivables	<b>729,914</b>	772,013
Other financial assets	<b>65,351</b>	45,200
	<hr/>	<hr/>
Balance sheet items	<b>11,380,873</b>	10,084,654
	<hr/>	<hr/>
Credit commitments	<b>1,687,844</b>	1,640,446
	<hr/>	<hr/>
<b>Total</b>	<b>13,068,717</b>	11,725,100
	<hr/> <hr/>	<hr/> <hr/>

### Distribution of Loans by Collateral

*In millions of RMB, except for percentages*

<b>Item</b>	<b>31 December 2011</b>		31 December 2010	
	<b>Amount</b>	<b>Percentage (%)</b>	Amount	Percentage (%)
Loans secured by mortgages	<b>2,557,189</b>	<b>45.5</b>	2,208,766	44.6
Loans secured by pledges	<b>608,164</b>	<b>10.8</b>	535,659	10.8
Guaranteed loans	<b>1,262,403</b>	<b>22.4</b>	1,190,599	24.0
Unsecured loans	<b>1,200,949</b>	<b>21.3</b>	1,021,717	20.6
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>5,628,705</b>	<b>100.0</b>	4,956,741	100.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Distribution of Overdue Loans by Period Overdue

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	25,776	0.5	21,172	0.4
Overdue for 91 to 360 days	7,762	0.1	10,027	0.2
Overdue for 361 days to 3 years	16,338	0.3	35,179	0.7
Overdue for more than 3 years	23,587	0.4	9,366	0.2
<b>Total</b>	<b>73,463</b>	<b>1.3</b>	<b>75,744</b>	<b>1.5</b>

## Restructured Loans and Advances

*In millions of RMB, except for percentage*

	31 December 2011		31 December 2010	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Restructured loans and advances	9,934	0.2	10,612	0.2

## Loan Concentration

*In millions of RMB, except for percentages*

Top 10 single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	21,389	0.38
Borrower B	Production and supply of power, gas and water	19,619	0.35
Borrower C	Real estate	12,500	0.22
Borrower D	Real estate	11,535	0.21
Borrower E	Construction	11,313	0.20
Borrower F	Manufacturing	10,757	0.19
Borrower G	Manufacturing	10,039	0.18
Borrower H	Production and supply of power, gas and water	9,669	0.17
Borrower I	Transportation, logistics and postal services	8,902	0.16
Borrower J	Production and supply of power, gas and water	8,704	0.15
<b>Total</b>		<b>124,427</b>	<b>2.21</b>

At the end of 2011, the total loans granted to the largest single borrower and top ten single borrowers accounted for 2.80% and 16.31% of our regulatory capital, respectively, both of which were in compliance with regulatory requirements.

Distribution of Loans by Five-category Classification

*In millions of RMB, except for percentages*

Item	31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	5,226,690	92.86	4,539,665	91.58
Special mention	314,657	5.59	316,671	6.39
Non-performing loans	87,358	1.55	100,405	2.03
Substandard	31,115	0.55	34,987	0.71
Doubtful	47,082	0.84	57,930	1.17
Loss	9,161	0.16	7,488	0.15
<b>Total</b>	<b>5,628,705</b>	<b>100.00</b>	<b>4,956,741</b>	<b>100.00</b>

At 31 December 2011, the balance of non-performing loans was RMB87,358 million, representing a decrease of RMB13,047 million compared to the end of last year. Non-performing loans ratio dropped by 0.48 percentage point to 1.55%. The balance of special mention loans was RMB314,657 million, representing a decrease of RMB2,014 million compared to the end of last year. Special mention loans accounted for 5.59% of total loans, representing a decrease of 0.80 percentage point. The quality of loans of the Bank has been improved mainly because the Bank (1) adjusted credit policies and raised the entry threshold for customers according to the changes in the macro-economic environment and applicable regulatory requirements in a timely manner so as to control credit risk; (2) implemented industry-specific risk exposure limit management, customer list-based management, and suspension and resumption management of products of the County Area Banking Business; (3) enhanced the post-disbursement management, identified risks in a timely manner, managed and mitigated the risks, and terminated business with customers having potential risks; (4) developed and applied innovative techniques and tools for risk management to enhance the ability in identifying, measuring and responding to risk; and (5) continued to put efforts on the recovery and disposal of non-performing loans.

*Distribution of Non-Performing Loans by Product Type*

*In millions of RMB, except for percentages*

Item	31 December 2011			31 December 2010		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
<b>Corporate loans</b>	<b>75,931</b>	<b>86.9</b>	<b>1.90</b>	89,157	88.8	2.48
Of which:						
Short-term corporate loans	<b>32,990</b>	<b>37.8</b>	<b>1.94</b>	38,645	38.5	2.74
Medium- and long-term corporate loans	<b>42,941</b>	<b>49.1</b>	<b>1.87</b>	50,512	50.3	2.31
<b>Discounted bills</b>	<b>31</b>	<b>—</b>	<b>0.03</b>	39	0.1	0.03
<b>Retail loans</b>	<b>11,176</b>	<b>12.8</b>	<b>0.78</b>	10,967	10.9	0.96
Residential mortgage loans	<b>4,058</b>	<b>4.6</b>	<b>0.46</b>	4,715	4.7	0.65
Credit card balances	<b>848</b>	<b>1.0</b>	<b>0.85</b>	488	0.5	1.29
Personal consumption loans	<b>628</b>	<b>0.7</b>	<b>0.44</b>	454	0.5	0.34
Loans to private business	<b>2,285</b>	<b>2.6</b>	<b>1.45</b>	2,522	2.5	1.94
Loans to rural households	<b>2,674</b>	<b>3.1</b>	<b>1.99</b>	1,835	1.8	1.59
Others	<b>683</b>	<b>0.8</b>	<b>26.49</b>	953	0.9	28.85
<b>Overseas and others</b>	<b>220</b>	<b>0.3</b>	<b>0.21</b>	242	0.2	0.32
<b>Total</b>	<b>87,358</b>	<b>100.0</b>	<b>1.55</b>	100,405	100.0	2.03

At the end of 2011, the balance of corporate non-performing loans was RMB75,931 million, representing a decrease of RMB13,226 million over the end of last year, with the non-performing loan ratio dropped by 0.58 percentage point to 1.90%. The balance of retail non-performing loans increased by RMB209 million to RMB11,176 million over the end of last year, and the non-performing loan ratio decreased by 0.18 percentage point to 0.78%.

Distribution of Non-performing Loans by Geographic Region

*In millions of RMB, except for percentages*

Item	31 December 2011			31 December 2010		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	2	—	—	2,001	2.0	2.61
Yangtze River Delta	14,880	17.0	0.98	15,760	15.7	1.16
Pearl River Delta	11,860	13.6	1.47	13,727	13.7	1.91
Bohai Rim	14,808	17.0	1.49	16,503	16.4	1.90
Central China	13,109	14.9	1.93	14,142	14.1	2.35
Northeastern China	4,195	4.8	2.04	5,065	5.0	2.91
Western China	28,284	32.4	2.30	32,965	32.9	3.03
Overseas and others	220	0.3	0.21	242	0.2	0.32
<b>Total</b>	<b>87,358</b>	<b>100.0</b>	<b>1.55</b>	<b>100,405</b>	<b>100.0</b>	<b>2.03</b>

In 2011, the overall quality of loans in different regions improved while the balance of non-performing loans and the non-performing loan ratio both decreased. The balance of non-performing loans decreased most significantly in Western China, Head Office and the Pearl River Delta by RMB4,681 million, RMB1,999 million and RMB1,867 million, respectively.

Distribution of Corporate Non-Performing Loans by Industry

*In millions of RMB, except for percentages*

Item	31 December 2011			31 December 2010		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	26,790	35.4	2.23	29,298	32.8	2.80
Production and supply of power, gas and water	10,704	14.1	2.37	13,274	14.9	3.37
Real estate	6,161	8.1	1.24	9,597	10.8	1.77
Transportation, logistics and postal services	7,485	9.9	1.63	5,250	5.9	1.36
Wholesale and retail	9,112	12.0	2.34	8,676	9.7	2.97
Water, environment and public utilities	2,693	3.5	1.48	5,079	5.7	2.38
Construction	1,466	1.9	0.87	4,078	4.6	2.74
Mining	617	0.8	0.42	494	0.6	0.43
Leasing and commercial services	2,684	3.5	1.04	2,805	3.1	1.33
Information transmission, computer service and software	175	0.2	1.20	247	0.3	1.31
Others	8,044	10.6	3.71	10,359	11.6	4.58
<b>Total</b>	<b>75,931</b>	<b>100.0</b>	<b>1.90</b>	<b>89,157</b>	<b>100.0</b>	<b>2.48</b>

As of 31 December 2011, the balance of non-performing loans decreased most significantly in three industries, namely real estate, construction and production and supply of power, gas and water by RMB3,436 million, RMB2,612 million and RMB2,570 million. The decrease was mainly due to the fact that we continuously tightened the entry threshold for customers and imposed credit exposure limit on different industries. It was also because we terminated business with customers having high potential risk and put efforts on the recovery and disposal of non-performing loans.

Changes to the Allowance for Impairment Losses

*In millions of RMB*

<b>Item</b>	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
<b>As of 1 January 2011</b>	58,501	110,232	168,733
Charge for the year	(3,788)	65,888	62,100
— Addition	11,696	84,078	95,774
— Reversal	(15,484)	(18,190)	(33,674)
Write-offs	(216)	(67)	(283)
Transfer-in/out			
— Recoveries of loans written-off in previous years	10	9	19
— Unwinding of discount on allowance	(437)	(68)	(505)
— Exchange differences	(46)	(176)	(222)
<b>As of 31 December 2011</b>	<u>54,024</u>	<u>175,818</u>	<u>229,842</u>

At the end of 2011, allowance for impairment losses on loans was RMB229,842 million, representing an increase of RMB61,109 million over the end of last year. Specifically, the balance of allowance for impairment losses assessed on a collective basis was RMB175,818 million, increased by RMB65,586 million over the end of last year. The balance of allowance for impairment losses assessed on an individual basis was RMB54,024 million, decreased by RMB4,477 million over the end of last year. The ratio of allowance to non-performing loans increased by 95.05 percentage points over the end of last year to 263.10%, and the ratio of allowance to total loans was 4.08%. All of the above ratios complied with the regulatory requirements, representing an enhancement of risk resistance.

**Market risk**

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises interest rate risk, exchange rate risk, stock price risk and commodity price risk. The Bank is exposed to market risks, mainly including interest rate risk and exchange rate risk. The risk management organizational structure of the Bank comprises of the Board of Directors and its risk management committee, Senior Management and its risk management committee, Risk Management Department, Asset and Liability Management Department and the business units bearing the market risk.

In 2011, we continued to improve market risk management system by amending regulations of market risk management, such as exposure limit management and book classification, and regulating the investment scope and entry threshold of wealth management business. We completed the encoding of market risk data warehouse system, and developed into a testing stage. The bidding and procurement for the consulting project of the IMA for market risk and the on-site Proof of Concept (POC) of the calculation engine were completed and we entered fully into the stage of IMA project development.

### Separation of Trading Book and Banking Book

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

### Market Risk Management for Trading Book

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

In 2011, to facilitate a healthy and steady development of businesses, we further enhanced market risk management for trading book by formulating annual treasury transaction and market risk management policies, improving the integrated stress testing model for the market risk and credit risk in bonds denominated in RMB and foreign currencies and formulating risk management measures on wealth management business of medium-to-low risk asset portfolio.

### Market Risk Management for Banking Book

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

### *Interest Rate Risk Management*

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



In 2011, we enhanced our research and study on economic situation, trends of policies and interest rates cycle and promoted the perspectiveness of interest rate management policy. According to the changes of market interest rates, we promptly adjusted the internal and external prices and duration strategies and enhanced the management on interest rate pricing and re-pricing period. We completed the head office oriented centralized treasury reform. We also developed the new generation of asset and liability management system, through which we monitored the interest rates implementation and the exposure resulting from the mismatching of deposits and loans.

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

#### *Exchange Rate Risk Management*

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

In 2011, we actively adjusted and optimized the total amount and structure of foreign currency-denominated assets and liabilities through various assets and liabilities management measures. We also managed and controlled the exchange rate risk by way of, among others, hedging to keep our exposure of the exchange rate risk within a reasonable scope.

#### *Market Risk Exposure Limit Management*

The limit of the banking book of the Bank includes sensitivity limit and exposure limits, and the limit of trading book includes position limit, sensitivity limit, loss limit and VaR limit. In 2011, we optimised the types of market risk exposure limits and adjusted the limits of market risk exposure to further improve the market risk exposure limit management system.

#### *Interest Rate Risk Analysis*

At the end of 2011, the negative accumulative gap sensitive to interest rate due within one year was RMB259,826 million, representing a decrease of RMB516,560 million in absolute terms compared to the end of last year.

## Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	1 year and below, sub-total	1–5 years	Over 5 years	Non- interest earning
31 December 2011	(2,112,076)	556,224	1,296,026	(259,826)	(192,349)	997,038	(21,778)
31 December 2010	<u>(2,392,729)</u>	<u>704,969</u>	<u>911,374</u>	<u>(776,386)</u>	<u>147,712</u>	<u>1,052,323</u>	<u>(7,731)</u>

Note: Please refer to “Note 49 to the Financial Statements: Financial Risk Management — Market Risk” for details.

## Interest Rate Sensitivity Analysis

In millions of RMB

Movements in basis points	31 December 2011		31 December 2010	
	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	<b>(10,745)</b>	<b>(14,471)</b>	(13,638)	(15,273)
Decreased by 100 basis points	<u><b>10,745</b></u>	<u><b>15,391</b></u>	<u>13,638</u>	<u>16,333</u>

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

Based on our assets and liabilities positions as of 31 December 2011, net interest income for the year immediately following 31 December 2011 will decrease (or increase) by RMB10,745 million if interest rates instantaneously increase (or decrease) by 100 basis points. Other comprehensive income will decrease by RMB14,471 million, if interest rates instantaneously increase by 100 basis points, or increase by RMB15,391 million if interest rates instantaneously decreased by 100 basis points.

## Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In 2011, the average exchange rate of RMB appreciated against USD accumulatively by 3,218 basis points or 5.11%. At the end of 2011, our net foreign exchange exposure of financial assets/liabilities was USD4,394 million, representing an increase of USD4,624 million compared to the end of last year.

## Foreign Exchange Exposure

*In millions of RMB (USD)*

	31 December 2011		31 December 2010	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	1,056	168	(30,117)	(4,547)
Net foreign exchange exposure of overseas financial assets/liabilities	26,632	4,226	28,593	4,317
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	<u>27,688</u>	<u>4,394</u>	<u>(1,524)</u>	<u>(230)</u>

*Note:* Please refer to “Note 49 to the Financial Statements: Financial Risk Management — Market Risk” for details.

## Exchange Rate Sensitivity Analysis

*In millions of RMB*

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax	
		31 December 2011	31 December 2010
USD	+1%	76	(247)
	-1%	(76)	247
HKD	+1%	(11)	(54)
	-1%	11	54

Foreign currency assets and liabilities were mainly denominated in USD and HKD. Based on the exchange rate exposure at the end of the reporting period, the profit before tax will increase (or decrease) by RMB76 million if USD appreciates (or depreciates) against RMB by 1%.

## Liquidity Risk

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

The objective of liquidity risk management is to identify, measure, monitor and report the liquidity risk effectively by establishing a sound liquidity risk management mechanism in order to ensure that the liquidity requirement and the obligation to pay can be satisfied in different situations and to balance the profitability and security of our funds.

## Liquidity Risk Management

In 2011, the PBOC controlled the total volume of liquidity in the market by adjusting the statutory deposit reserve ratio and conducting open market operations. We closely monitored the changes of policies and market, promptly analysed the macro-economic situation and risks, accurately estimated capital supply and demand and carried out regular stress testing in order to managing the liquidity risk of the Bank. With the official application of the new generation of asset and liability management system of the Bank, a forecasting, monitoring and warning mechanism of liquidity was established, the information-based liquidity risk management was enhanced, and the centralized management of liquidity risks was realized. We put effort into marketing for deposits and maintaining smooth financing channel in the market in order to maintain position with a healthy liquidity and stable liability.

## Liquidity Risk Analysis

In 2011, macro-economic environment was complicated and the monetary policy was further tightened. The statutory deposit reserve ratio increased six times by the PBOC in the first half of the year and the interest rate was hiked three times during the year. The statutory deposit reserve ratio was once peaked at 21.5%. The periodic liquidity adequacy and strain took place by turns in the inter-bank market during the year, and the liquidity of the inter-bank market was generally more strained as compared with the previous year. Market interest rate was hiked gradually with increasing volatility. Therefore, the potential risk of liquidity was higher. In December, the liquidity of the market became neutral tending, however, to be stringent after the PBOC lowered the statutory deposit reserve ratio by 0.5 percentage point.

We continuously monitored and forecasted the changes in monetary policies and growth of deposits and loans, and actively improved the initiatives, flexibility and perspectiveness of the liquidity management strategies. In response to the strained liquidity situation during the year, we increased the standing funds properly, rationalized cash flow for due payment of investment and financing, and controlled the liquidity of the financing business with banks and other financial institutions. We also placed great efforts in improving capital efficiency while securing the overall liquidity of the Bank. As a result, the liquidity and profitability of fund were both achieved and the liquidity position was secured and controllable during the year.

## Liquidity Gap Analysis

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

*In millions of RMB*

	<b>Past due/ undated</b>	<b>On demand</b>	<b>Within 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
31 December 2011	2,115,981	(6,071,724)	101,585	(118,808)	812,393	1,085,901	2,597,757	523,085
31 December 2010	<u>1,736,220</u>	<u>(5,715,521)</u>	<u>259,754</u>	<u>(44,614)</u>	<u>280,782</u>	<u>1,465,927</u>	<u>2,433,370</u>	<u>415,918</u>

*Note:* Please refer to “Note 49 to the Financial Statements: Financial Risk Management — Liquidity Risk” for details.

We assessed liquidity risk through liquidity gap analysis. At the end of 2011, the gap of liquidity repayable on demand increased slightly primarily due to a relatively rapid growth of the current liability affected by the fluctuation in capital markets. To maintain sufficient medium and short term liquidity, we properly increased some liquidity assets of financial assets held under resale agreements and government bonds, so as to ensure the overall liquidity of the Bank.

### ***Operational Risk Management and Anti-Money Laundering***

#### **Operational Risk Management**

Operational risk refers to the risk or loss resulting from inadequate or problematic internal control procedures, from human or information system related factors, or from external affairs, including legal risk, but not including strategy risk or reputational risk. In 2011, the Bank optimized and promoted operational risk management tools, evaluated risks of major business segments and solidified the database for operational risk. We continued to monitor key risk indicators, changed the risk control method of counter business and actively managed the risks of natural disasters so as to further enhance operational risk management of the Bank.

We adopted standardized approach to calculate the economic capital of operational risk and adjusted parameters based on the evaluation of internal control, operational risk management level and key risk indicators. The measurement covered various business lines, including corporate banking, retail banking and agency service, involving all levels of units from head office to branches. Capital constraints were imposed and the standard of operational risk management at all levels was enhanced effectively.

In 2011, we conducted specific risk evaluation on key areas such as back-office operation management and outsourcing business. We standardized the evaluation method and established an ongoing evaluation mechanism, and identified potential risk systematically, assessed risks qualitatively and quantitatively and suggested recommendations and measures for improvements. We continued to improve the monitoring and management system of key risk indicators, by extending the coverage of indicators, and implemented continuous risk monitoring for major business lines. We focused on monitoring for key risk of branch outlets and applied major indicators in the assessment of the branch outlets in order to promote the continual enforcement of key control measures. By implementing centralized operation, centralized authorization and centralized monitoring measures at back offices, we substantially reformed the process model of counter business and our risk prevention capability of branch outlets was effectively improved. At the end of 2011, centralized operation was implemented in 29 tier-1 branches, centralized authorization was implemented in 37 branches while centralized monitoring was implemented in 36 branches. The Bank strictly followed the principles of “3 targets and 3 strict rules” for counter business, which referred to “standardization, normalization and institutionalization” and “strict rules on accounts, funds and compliance”. During the reporting period, the Bank evaluated the performance of 3 targets and 3 strict rules of branch outlets in major cities and key sub-branches in County Areas. To strengthen IT risk management and control, we continued to monitor the IT risk in the head office and branches and formulated administrative measures on business continuity management to improve the procedures and standards of operation continuity management. We also speeded up the establishment of disaster recovery system and organized post-disaster business recovery drills to enhance the disaster risk management.

## Legal Risk Management

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

In 2011, we reinforced the legal and compliance measures and utilised the support and protection function of laws. We formulated legal risk manuals of six aspects of operations, including corporate governance (A shares), bank cards, corporate loans, retail loans, electronic banking and disposal of non-performing assets, which provided operation guidelines to legal and business staffs according to laws in order to enhance the pertinence and effectiveness of legal risk management. We mitigated legal risk effectively by litigations proceedings and we achieved favourable results in various litigations and disputes. We continued to improve the system for formulating contracts and documents and relied on the contracts in risk control and business expansion. We enhanced the protection of our intellectual property rights, regulated the monitoring and reporting system of legal risk in the whole bank and conducted research on legal risk management of commercial banks. We also enhanced the legal and compliance management of the Bank by proactively planning and promoting the education of legal and compliance, building legal and compliance teams and further consolidating the legal and compliance operation foundation.

In 2011, the Bank received “Best In-house Team among Chinese Banks” from *China Law & Practice*.

## Anti-Money Laundering

In 2011, we further improved the Anti-Money Laundering (AML) management system and fulfilled the responsibility in respect of AML to enhance AML risk control and prevention on terrorism financing. We duly checked the identifications of customers according to laws and developed a customer risk grading and classification system of AML to improve the AML risk management standard. We continued to apply technologies, regulate working procedures and improve the quality of reports for large and suspicious transactions. We further improved the analysis system of AML risk supervision and standardized risk reporting procedure and improved risk monitoring and control. We stepped up the training on AML to further enhance the risk prevention and business skills of staffs in respect of AML. We also published AML and anti-terrorism financing statements, strengthened communication and cooperation internationally and fulfilled our AML duties globally. We actively assisted the competent authorities of the PRC in AML investigations and took an initiative role in combating illegal activities including AML within and outside the PRC.

## ***Consolidated Management***

In 2011, we further optimized our corporate governance regarding the consolidated management by improving the rules and procedures for consolidated risk management and established a sound management system of consolidated management for the effective recognition, measurement, reporting and control of cross-business and cross-border risk which enhanced the overall risk management capability of the Group.

We refined the policies and procedures, framework and relevant measures of the consolidated management. We clearly defined the duties of responsible departments for consolidated management. We implemented a system of reporting by two channels for the consolidated risk and improved the monitoring, reporting and information disclosure in relation to such risk. The *Proposal on Recovery from and Solution to Material Risks of Subsidiaries* was formulated to set up the contingent responding and reporting mechanism for material risks of subsidiaries.

We strengthened consolidated management for internal transactions, and established a sound firewall system. We drafted the internal transaction management measures to regulate the policies and procedures for internal transactions. Internal risks within the Group were controlled effectively by enhancing routine supervision report and management.

We strengthened the capital constraint and liquidity management of the Group. We amended relevant policies, established regular evaluation process for capital sufficiency of the Group and enhanced the management of capital adequacy ratio to ensure the sufficient capital of the Group satisfying internal and external regulation requirements. Contingent measures of liquidity risk were formed to monitor and control the liabilities of subsidiaries owing to the parent company in compliance with the regulatory requirements.

We also promoted the set-up of information system for consolidated management. Guidelines were provided to subsidiaries for setting up a sound information management system with automatic data collection and reporting.

### ***Reputation Risk Management***

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

We have placed reputation risk management under the corporate governance mechanism and comprehensive risk management system. We refined the reputation risk management mechanism and formulated regulations and measures on reputation risk management. We proactively and effectively prevented reputation risk and addressed reputation risk events to minimize loss and negative effect towards the Bank resulting from reputation risk.

During the reporting period, we formulated the *Contingency Plans on Reputation Events* providing corresponding procedures and measures for different types of reputation events. We established and optimized a comprehensive reputation risk monitor system and specified the division of responsibilities of reputation risk management between the head office and branches and reporting channels for reputation risk monitoring. We placed more efforts on the theoretical study of reputation risk management, refined the identification benchmarks and quantitative indicators of reputation risk and promptly summarized typical cases based on the progress of ICAAP project. We also strengthened the reporting of reputation risk situation and relevant forecast, and conducted comprehensive examination on reputation risk of the Bank on a regular basis. We further enhanced the promotion and education of reputation risk management by organizing training courses of reputation risk mitigation and handling skills to cultivate a management culture of reputation risk management.

## **Capital Management**

We coordinate the overall operation of book capital, regulatory capital and economic capital through various capital management activities of, among others, capital adequacy ratio, economic capital as well as volume and structure of capital. During the reporting period, we implemented the basic principles of capital management and the objectives of capital adequacy ratio management in accordance with the capital planning for 2010–2012, and timely monitored the capital adequacy and the application of capital based on the supervisory policy of the CBRC. During the reporting period, we were fully involved in various quantitative measurements organized by the CBRC pursuant to the changes of the supervisory policy of the CBRC and capital supervisory accords, and further improved our internal model according to the measurement results in order to refine the sophistication of our capital management. At the end of 2011, our capital adequacy ratio maintained within the planned range and complied with the regulatory requirements. We further increased the return of economic capital and realized the growth of our shareholders' value.

## ***Financing Management***

Upon the approval of the PBOC and the CBRC, we issued subordinated bonds of a total nominal value of RMB50 billion in the inter-bank bond market on 7 June 2011. Such subordinated bonds are fixed rate bonds for a term of 15 years. The annual coupon rate is 5.3% and the interests shall be paid annually. We have the right to redeem all of the subordinated bonds on the tenth anniversary of the issuance at par value.

The proceeds from the issuance of such subordinated bonds have been allocated as a supplementary capital of the Bank in accordance with relevant requirements of the “Administrative Measures on the Capital Adequacy Ratio of Commercial Banks” by the CBRC and other relevant provisions. Through the issuance of such bonds, we were able to further strengthen our capital adequacy, refine our capital structure and enhance our risk resistance ability.

## ***Economic Capital Allocation and Management***

During the reporting period, we formulated the Economic Capital Allocation Policy for 2011, which initially established a value-creation oriented allocation mechanism of economic capital, reinforced the gross economic capital constraint and limit control, and strengthened the coordination and management of economic capital, regulatory capital and book capital. We reinforced the capability of basics of management, improved the monitoring and analysis of economic capital, refined the economic capital management assessment and application, established a regular information reporting mechanism, and further refined the sophistication of the economic capital management.



## *Capital Adequacy Ratio*

We followed the “Measures for the Management of Capital Adequacy Ratio of Commercial Banks” promulgated by the CBRC and related regulatory requirements on calculation and disclosure of the capital adequacy ratio. In 2011, with the steady development of our businesses, we enhanced the capital base through such measures as issuing subordinated bonds and retaining profits, etc., to ensure the capital size and capital adequacy fulfilled the business development needs and regulatory requirements. At the end of 2011, our capital adequacy ratio and core capital adequacy ratio were 11.94% and 9.50% respectively, increased by 0.35 and decreased by 0.25 percentage point, respectively, compared to the end of the previous year.

## Capital Adequacy Ratio

*In millions of RMB*

<b>Item</b>	<b>31 December 2011</b>	31 December 2010
Core capital:		
Share capital	<b>324,794</b>	324,794
Reserves <sup>1</sup>	<b>282,508</b>	200,124
Minority interests	<b>187</b>	165
	<hr/>	<hr/>
Total core capital	<b>607,489</b>	525,083
Supplementary capital:		
General allowance of impairment loans	<b>56,287</b>	49,567
Long-term subordinated bonds	<b>100,000</b>	50,000
Cumulative gain in fair value	<b>725</b>	248
Total supplementary capital	<b>157,012</b>	99,815
	<hr/>	<hr/>
Total capital base before deductions	<b>764,501</b>	624,898
Deductions:		
Equity investments which are not consolidated	<b>1,359</b>	484
Other deductible item <sup>2</sup>	<b>132</b>	290
Total capital base after deductions	<b>763,010</b>	624,124
Risk-weighted assets and market risk capital adjustment	<b>6,388,375</b>	5,383,694
<b>Core capital adequacy ratio</b>	<b>9.50%</b>	9.75%
<b>Capital adequacy ratio</b>	<b>11.94%</b>	11.59%

Notes: 1. Cash dividends estimated to be paid were deducted from reserves.

2. Investments in real properties not used by the owners were deducted in accordance with the “Measures for the Management of Capital Adequacy Ratio of Commercial Banks” promulgated by the CBRC.

# Changes in Share Capital and Shareholdings of Substantial Shareholders

## Changes in Share Capital

### *Details of changes in share capital*

Unit: Share

	31 December 2010		Increase/decrease during the reporting period(+/-)			31 December 2011	
	Number of shares	Percentage (%)	New shares issued	Others	Subtotal	Number of shares	Percentage (%)
<b>1) Shares subject to restrictions</b>							
<b>on sales</b>	<b>291,981,302,904</b>	<b>89.9</b>	—	<b>-18,382,479,500</b>	<b>-18,382,479,500</b>	<b>273,598,823,404</b>	<b>84.2</b>
1. State-owned shares	268,484,705,904	82.7	—	—	—	268,484,705,904	82.7
2. Shares held by other domestic investors	10,228,235,000	3.1	—	-5,114,117,500	-5,114,117,500	5,114,117,500	1.5
3. Shares held by foreign investors	13,268,362,000	4.1	—	-13,268,362,000	-13,268,362,000	—	—
<b>2) Shares not subject to restrictions</b>							
<b>on sales</b>	<b>32,812,814,096</b>	<b>10.1</b>	—	<b>18,382,479,500</b>	<b>18,382,479,500</b>	<b>51,195,293,596</b>	<b>15.8</b>
1. RMB-denominated ordinary shares	15,342,353,000	4.7	—	5,114,117,500	5,114,117,500	20,456,470,500	6.3
2. Foreign-invested shares listed overseas	17,470,461,096	5.4	—	13,268,362,000	13,268,362,000	30,738,823,096	9.5
<b>3) Total number of shares</b>	<b><u>324,794,117,000</u></b>	<b><u>100.0</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>324,794,117,000</u></b>	<b><u>100.0</u></b>

- Notes:
- “Shares subject to restrictions on sales” refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings. The shares released from restrictions on sales during the reporting period excluded those released on 15 January 2012.
  - “State-owned shares” refers to the shares held by the MOF, Huijin, the SSF and the SSF-Account III for state-owned managed by the SSF. “Shares held by other domestic investors” refers to the shares held by strategic investors of A shares and the allottees of A shares under off-line placement. “Shares held by foreign investors” refers to the shares held by foreign cornerstone investors. “Foreign-invested shares listed overseas” refers to the H shares as defined in “No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding” (Revision 2007) of the CSRC.
  - “Others” refers to the shares held by strategic investors of A shares and cornerstone investors of H shares, which were released from restrictions on sales during the reporting period due to the expiry of the lock-up period relating to such shares. Positive numbers represent increases whereas negative numbers represent decreases.

## Details of changes in shares subject to restrictions on sales

Unit: Share

Name of shareholders	Number of shares subject to restrictions on sales at the beginning of the period	Number of shares released from restrictions on sales during the period	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales at the end of the period	Reason for restrictions on sales	Date of release of restrictions on sales
MOF	127,361,764,737	—	—	127,361,764,737	Restrictions upon issuance	15 July 2013
Huijin	130,000,000,000	—	—	130,000,000,000	Restrictions upon issuance	15 July 2013
SSF <sup>1</sup>	11,122,941,167	—	—	11,122,941,167	Restrictions upon issuance	15 July 2013 15 May 2015
Strategic investors of A shares <sup>2</sup>	10,228,235,000	5,114,117,500	—	5,114,117,500	Restrictions upon issuance	15 January 2012
Cornerstone investors of H shares <sup>3</sup>	13,268,362,000	13,268,362,000	—	—	Restrictions upon issuance	—
<b>Total</b>	<b><u>291,981,302,904</u></b>	<b><u>18,382,479,500</u></b>	<b><u>—</u></b>	<b><u>273,598,823,404</u></b>	—	—

- Notes:
- Refers to the shares held by the SSF and the shares held by the SSF-Account III for state-owned shares transfer managed by the SSF pursuant to the requirements of state-owned shares transfer.
  - The lock-up period of 50% of shares held by strategic investors of A shares was 12 months from the listing date of A shares, while the lock-up period of the remaining 50% of shares was 18 months from the listing date of A shares. All shares subject to restrictions on sales in connection with strategic investors of A shares were released from restrictions on sales on 15 January 2012.
  - The lock-up period of shares held by six cornerstone investors of H shares, including Qatar Investment Authority, was 12 months from the listing date of H shares. The lock-up period of 50% of shares held by the other cornerstone investors was six months from the listing date of H shares and the remaining 50% of shares held by them was 12 months from the listing date of H shares. The shares held by the cornerstone investors of H shares which are subject to restrictions on sales decreased due to the expiry of the lock-up period of shares subject to restrictions on sales. Such shares were converted to shares not subject to restrictions on sales.

*The trading date of shares subject to restrictions on sales*

*Unit: Share*

<b>Date</b>	<b>Number of new shares for trading upon the expiry of the restrictions on sales</b>	<b>The remaining number of shares subject to the restrictions on sales</b>	<b>The remaining number of shares not subject to the restrictions on sales</b>	<b>Description</b>
16 January 2011	912,960,000	291,068,342,904	33,725,774,096	Cornerstone investors of H shares
15 July 2011	5,114,117,500	285,954,225,404	38,839,891,596	Strategic investors of A shares
16 July 2011	12,355,402,000	273,598,823,404	51,195,293,596	Cornerstone investors of H shares
15 January 2012	5,114,117,500	268,484,705,904	56,309,411,096	Strategic investors of A shares
15 July 2013	258,592,941,197	9,891,764,707	314,902,352,293	A shares held by the MOF and Huijin, and A shares transferred to the SSF from the MOF <sup>1</sup>
15 May 2015	9,891,764,707	—	324,794,117,000	A shares held by the SSF, and A shares transferred to the SSF by itself

*Note:* 1. A shares held by the MOF and Huijin are not subject to the above lock-up period of 36 months after the approval of conversion to H shares by the relevant authority.

***The shareholdings of top 10 shareholders subject to restrictions on sales and the terms of restrictions on sales***

*Unit: Share*

<b>No.</b>	<b>Shareholders subject to restrictions on sales</b>	<b>Number of shares subject to restrictions on sales held</b>	<b>Date of trading</b>	<b>Numbers of new shares for trading</b>	<b>Restrictions on sales</b>
1	Huijin	130,000,000,000	15 July 2013	130,000,000,000	36 months
2	MOF	127,361,764,737	15 July 2013	127,361,764,737	36 months
3	SSF <sup>1</sup>	11,122,941,167	15 July 2013	1,231,176,460	36 months
			15 May 2015	9,891,764,707	58 months
4	China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	594,378,500	15 January 2012	594,378,500	18 months
5	China National Tobacco Corporation	373,134,000	15 January 2012	373,134,000	18 months
6	Yingda International Holdings Corporation, Ltd.	373,134,000	15 January 2012	373,134,000	18 months
7	China Railway Construction Investment Company	371,487,000	15 January 2012	371,487,000	18 months
8	Anshan Iron and Steel Group Corporation	297,189,500	15 January 2012	297,189,500	18 months
9	CNPC Assets Management Co., Ltd.	297,189,500	15 January 2012	297,189,500	18 months
10	China Aerospace Science & Industry Corporation	222,892,000	15 January 2012	222,892,000	18 months

*Note:* 1. It represents the shares held by the SSF and the shares held by the SSF-Account III for state-owned shares transfer managed by the SSF pursuant to the requirements of state-owned shares transfer.

**Details of Issuance and Listing of Securities**

***Issuance of shares***

On 21 April 2010, the SSF entered into the Share Subscription Agreement of Agricultural Bank of China Limited with the MOF, Huijin and the Bank, pursuant to which the SSF subscribed for 10,000,000,000 shares newly issued by the Bank for a total consideration of RMB15.52 billion.

On 15 and 16 July 2010, the shares of the Bank were listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. The total number of A shares and H shares offered in the initial public offerings was approximately 54,790 million shares, representing 16.87% of the Bank's total share capital after the initial public offerings. Among them, there were approximately 25,570 million A shares and approximately 29,220 million H shares, representing 7.87% and 9.00% of the Bank's total share capital after the initial public offerings, respectively. The over-allotment options of A shares and H shares were exercised in full. The offer prices of A shares and H shares were RMB2.68 and HKD3.20 per share, respectively. The total proceeds from the initial public offerings of A shares and H shares were approximately USD22.1 billion, of which approximately RMB68.5 billion was proceeds from the issuance of A shares. After deducting the expenses of the issuance, all the proceeds were used to strengthen the capital base of the Bank. The Bank had a total of 324,794,117,000 shares in the share capital, comprising 294,055,293,904 A shares and 30,738,823,096 H shares, upon the completion of the initial public offerings of A shares and H shares.

### ***Issuance of subordinated bonds***

For details of the issuance of subordinated bonds, please refer to “Note 38 to the Financial Statements: Debt Securities Issued”.

### ***Employee shares***

The Bank had no employee shares.

## Particulars of Shareholders

### *Number of shareholders and particulars of shareholding*

At the end of the reporting period, the Bank had a total of 395,208 shareholders, including 30,814 H share shareholders and 364,394 A share shareholders. As of 29 February 2012 (being the last day of the month prior to the date of the announcement of its A share annual report), the Bank had a total of 359,786 shareholders, including 30,502 H share shareholders and 329,284 A share shareholders.

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

Unit: Share

**Total number of shareholders** 395,208 (as set out in the registers of A shares and H shares as of 31 December 2011)

**Particulars of shareholding of the top 10 shareholders** (the data below are based on the registers of shareholders as of 31 December 2011)

Name of shareholders	Nature of shareholders	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Huijin	State-owned	A shares	40.12	130,309,632,497	130,000,000,000	None
MOF	State-owned	A shares	39.21	127,361,764,737	127,361,764,737	None
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal entity	H shares	8.99	29,194,189,691	—	Unknown
SSF	State-owned	A shares	3.02	9,797,058,826	9,797,058,826	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	Other	A shares	0.97	3,143,606,199	—	None
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	0.41	1,340,244,522	594,378,500	None
SSF-Account III for state-owned shares transfer	State-owned	A shares	0.41	1,325,882,341	1,325,882,341	None
Standard Chartered Bank	Overseas legal entity	H shares	0.37	1,217,281,000	—	Unknown
Hwabao Trust Co., Ltd. — Single Unit Trust Fund R2008ZX013	Other	A shares	0.34	1,105,576,095	—	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance Policy with High Interest Rate	Other	A shares	0.27	866,936,059	—	None

*Note:* All the shares held by the Hong Kong Securities Clearing Company Nominees Limited represent the total number of H shares held by it as an agent on behalf of all institutional and individual investors registered with it as of 31 December 2011.

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

*Particulars of shareholding of the top 10 shareholders not subject to the restrictions on sales (the data below are based on the registers of shareholders as of 31 December 2011)*

<b>Name of shareholders</b>	<b>Number of shares not subject to restrictions on sales</b>	<b>Type of shares</b>
Hong Kong Securities Clearing Company Nominees Limited	29,194,189,691	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	3,143,606,199	A shares
Standard Chartered Bank	1,217,281,000	H shares
Fortune Trust Investment Company Limited — Single Unit Trust Fund R2008ZX013	1,105,576,095	A shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Insurance Policy with High Interest Rate	866,936,059	A shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	745,866,022	A shares
ICBC-Credit Suisse Fund Management Co., Ltd — Agricultural Bank of China — ABC Enterprise Annuity Council	513,907,412	A shares
CNOOC Finance Corporation Limited	446,045,014	A shares
China National Tobacco Corporation	373,134,000	A shares
Yingda International Holdings Corporation, Ltd.	373,134,000	A shares

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



### *Shareholdings of substantial shareholders*

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

#### MOF

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

As of 31 December 2011, the MOF held 127,361,764,737 shares of the Bank, accounting for 39.21% of the total share capital of the Bank.

#### Huijin

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

Huijin had implemented its plan of increasing the shareholding of the Bank through the trading system of the Shanghai Stock Exchange since 10 October 2011. At the end of the reporting period, Huijin had cumulatively increased its shareholding of the Bank's A shares by 309,632,497, accounting for approximately 0.095% of the total issued shares of the Bank. As of 31 December 2011, Huijin held 130,309,632,497 shares of the Bank, accounting for 40.12% of the total share capital of the Bank.

As of 31 December 2011, there was no other corporate shareholder who held more than 10% equity interest in the Bank.

***Interests and short positions in shares and underlying shares held by substantial shareholders and other persons***

As of 31 December 2011, the Bank received notifications from the following persons regarding their interests and short positions in shares or underlying shares of the Bank. Such interests and short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below.

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Nature</b>	<b>Percentage of issued class shares (%)</b>	<b>Percentage of total issued shares (%)</b>
MOF	Beneficial owner/nominee <sup>1</sup>	138,682,352,926 (A shares) <sup>2</sup>	Long position	47.16	42.70
Huijin	Beneficial owner	130,000,000,000 (A shares) <sup>3</sup>	Long position	44.21	40.03
Qatar Investment Authority	Interests of controlled entity <sup>4</sup>	6,816,775,000 (H shares)	Long position	22.18	2.10
Qatar Holding LLC	Beneficial owner	6,816,775,000 (H shares)	Long position	22.18	2.10
Capital Research and Management Company	Investment manager	3,733,632,000 (H shares)	Long position	12.15	1.15
JPMorgan Chase & Co.	Investment manager	2,156,441,315 (H shares)	Long position	7.02	0.66
		257,820,535 (H shares)	Short position	0.84	0.08
		609,922,173 (H shares)	Lending pool	1.98	0.19
Citigroup Inc.	Investment manager	1,918,909,490 (H shares)	Long position	6.24	0.59
		268,051,565 (H shares)	Short position	0.87	0.08
		1,694,571,389 (H shares)	Lending pool	5.51	0.52

- Notes:*
- 10,976,470,582 A shares are held by the SSF but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China Limited issued by the MOF on 5 May 2010.
  - According to the register of shareholders of the Bank as of 31 December 2011, the MOF held 127,361,764,737 A shares of the Bank, accounting for 43.31% and 39.21% of the issued A shares and the total issued shares of the Bank, respectively.
  - According to the register of shareholders of the Bank as of 31 December 2011, Huijin held 130,309,632,497 A shares of the Bank, accounting for 44.31% and 40.12% of the issued A shares and the total issued shares of the Bank, respectively.
  - Qatar Investment Authority is deemed to be interested in 6,816,775,000 H shares of the Bank held by Qatar Holding LLC, a wholly owned subsidiary of Qatar Investment Authority.

# Directors, Supervisors and Senior Management

## Our Directors

Name <sup>1</sup>	Position	Gender	Age	Tenure
JIANG Chaoliang	Chairman, Executive Director	Male	54	2012.01-2015.01
ZHANG Yun	Vice Chairman, Executive Director, President	Male	52	2012.01-2015.01
YANG Kun	Executive Director, Executive Vice President	Male	53	2012.01-2015.01
PAN Gongsheng	Executive Director, Executive Vice President	Male	48	2010.04-2013.04
SHEN Bingxi	Non-executive Director	Male	59	2012.01-2015.01
LIN Damao	Non-executive Director	Male	57	2012.01-2015.01
CHENG Fengchao	Non-executive Director	Male	52	2012.01-2015.01
LI Yelin	Non-executive Director	Male	58	2011.07-2014.07
XIAO Shusheng	Non-executive Director	Male	56	2012.02-2015.02
ZHAO Chao	Non-executive Director	Male	53	2012.02-2015.02
Anthony WU Ting-yuk	Independent Non-executive Director	Male	57	2012.01-2015.01
QIU Dong	Independent Non-executive Director	Male	54	2012.01-2015.01
Frederick MA Si-hang	Independent Non-executive Director	Male	60	2011.04-2014.04
WEN Tiejun	Independent Non-executive Director	Male	60	2011.05-2014.05

### ***JIANG Chaoliang*** *Chairman, Executive Director*

Mr. JIANG Chaoliang received a Master's degree in economics from Southwestern University of Finance and Economics and is a Senior Economist. He has served as Chairman of the Board of Directors and Executive Director of the Bank since January 2012. Mr. Jiang previously served as director of General Planning Department and general manager of International Business Department of the Bank and vice director of Banking Department of the PBOC. He used to serve concurrently as president of Shenzhen branch of the PBOC and governor of Shenzhen branch of State Administration of Foreign Exchange (the "SAFE"), and president of Guangzhou branch of the PBOC and governor of Guangdong branch of the SAFE. He was appointed as executive assistant president, director of the General Office and director of Labour Union Working Committee of the PBOC in June 2000, deputy governor of Hubei Province in September 2002, chairman of the board of directors of Bank of Communications in June 2004 and vice chairman of the board of directors and president of China Development Bank in September 2008. He used to serve concurrently as chairman of China Banking Association and member of Monetary Policy Committee of the PBOC, and now concurrently serves as chairman of China Payment and Settlement Association.

<sup>1</sup> The table sets out certain information of Directors as at the date when the Board of Directors approved this results announcement. Please refer to "Change in Directors, Supervisors and Senior Management" in this section on the information relating to the change in Directors.

Mr. Jiang is a representative of the Seventeenth National Representative Conference of the Communist Party of China and member of the eleventh Chinese People's Political Consultative Conference (the "CPPCC") National Committee.

***ZHANG Yun Vice Chairman, Executive Director, President***

Mr. ZHANG Yun received a PhD in economics from Wuhan University and is a Senior Economist. He has served as Vice Chairman, Executive Director and President of the Bank since January 2009. Mr. Zhang previously served successively as deputy president of Shenzhen branch, deputy president of Guangdong branch, and president of Guangxi Autonomous Region branch of the Bank. Mr. Zhang was appointed as executive assistant president and general manager of Personnel Department of the Bank in March 2001, and executive vice president of the Bank in December 2001. Mr. Zhang serves concurrently as president of the County Area Banking Business Division and chairman of the County Area Banking Business Management Committee of the Bank.

***YANG Kun Executive Director, Executive Vice President***

Mr. YANG Kun received a Master's degree in economics from Nankai University and is a Senior Economist. He has served as Executive Director and Executive Vice President of the Bank since January 2009. Mr. Yang previously served successively in the Bank as deputy general manager of the Personnel and Education Department, deputy general manager of the Agency Business Department, general manager of the Market Development Department and president of Anhui branch. Mr. Yang had served concurrently as executive assistant president of the Bank and president of Anhui branch of the Bank since January 2002. Mr. Yang was appointed as executive assistant president of the Bank in November 2003 and executive vice president of the Bank in March 2004. Mr. Yang serves concurrently as chairman of the board of directors of ABC-CA Fund Management Co., Ltd. and chairman of the board of directors of ABC Financial Leasing Co., Ltd.

***PAN Gongsheng Executive Director, Executive Vice President***

Mr. PAN Gongsheng received a PhD in economics from, and is a Research Fellow of, Renmin University of China. Mr. Pan is also an expert entitled to Government Special Allowance by the State Council. He has served as Executive Vice President of the Bank since January 2009 and as Executive Director of the Bank since April 2010. Mr. Pan previously served in several positions successively in Industrial and Commercial Bank of China Limited, including deputy general manager of the Human Resources Department, deputy general manager of the Financial Planning Department, vice president of Shenzhen branch, general manager of the Financial Planning Department, managing director of Restructuring Office, general manager of Strategic Management Department and secretary to the board of directors of Industrial and Commercial Bank of China Limited. Mr. Pan was appointed as executive vice president of the Bank since April 2008. He currently serves as an adjunct professor of Renmin University of China.

Mr. Pan is a member of the eleventh CPPCC National Committee.

***SHEN Bingxi Non-executive Director***

Mr. SHEN Bingxi received a PhD in economics from Renmin University of China and is a Research Fellow. He now works with Central Huijin Investment Ltd. and has served as Non-executive Director of the Bank since January 2009. Mr. Shen previously served successively as deputy director of Financial Market Division, Financial System Reform Department of the PBOC; director of System Reform Division and Currency Policy Research Division, Policy Research Office of the PBOC; director of Currency Policy Research Division, Research Department of the PBOC; and chief representative of Tokyo Representative Office of the PBOC. Mr. Shen was appointed as deputy chief of Financial Market Department of the PBOC and counsel of Financial Market Department of the PBOC. Mr. Shen was a guest research fellow at University of Tokyo, and is now an adjunct professor of Zhejiang University and University of International Business and Economics.

***LIN Damao Non-executive Director***

Mr. LIN Damao received a Bachelor's degree and is an Accountant. He now works with Central Huijin Investment Ltd. and has served as Non-executive Director of the Bank since January 2009. Mr. Lin previously served successively in several positions in the MOF, including deputy director of Foreign Economy Division, Foreign Currency and Foreign Affairs Department; deputy director of Foreign Economic Cooperation Division, Foreign Currency and Foreign Affairs Department; director of Foreign Economic Cooperation Division, Foreign Currency and Foreign Affairs Department; director of Foreign Economy Division, Foreign Affairs Department; and director of Foreign Affairs Division, Department of Policies and Legislation. Mr. Lin was appointed as vice counsel of the MOF Department of Policies and Legislation in May 2001.

***CHENG Fengchao Non-executive Director***

Mr. CHENG Fengchao received a PhD in management from Hunan University and is a Senior Accountant, a China Certified Public Accountant and a China Certified Asset Appraiser. He now works with Central Huijin Investment Ltd. and has served as Non-executive Director of the Bank since January 2009. Mr. Cheng previously served successively as vice director general, Financial Bureau of Pingquan County, Hebei Province; vice director, Administrative Office of Financial Department of Hebei Province; head of Hebei Accounting Firm; vice president and secretary-general, Hebei Institute of Certified Public Accountants; and deputy general manager, Shijiazhuang Office of China Great Wall Asset Management Corporation. Mr. Cheng was appointed as general manager, Valuation Management Department, China Great Wall Asset Management Corporation in January 2001; general manager, Tianjin Office of China Great Wall Asset Management Corporation in January 2006; and general manager, Development Research Department, China Great Wall Asset Management Corporation in August 2008. Mr. Cheng is now also serving as a guest professor of School of Economics of Peking University, PhD supervisor of Hunan University, Master supervisor of Central University of Finance and Economics, Capital University of Economics and Business and Beijing Technology and Business University, member of Committee for Restructuring of Listed Companies of the CSRC and independent director of Tongfang Co., Ltd.

***LI Yelin Non-executive Director***

Mr. LI Yelin graduated from Party School of the Central Committee of the Communist Party of China as an on-the-job graduate in economic management. He is a Senior Auditor and a non-practicing Certified Accountant. He is the executive director of China Audit Society. He now works with Central Huijin Investment Ltd. and has served as Non-executive Director of the Bank since July 2011. He served as the deputy division director and division director of the Special Commissioner's Office for Shenyang under the National Audit Office (the "NAO"). He had been the vice commissioner of the Special Commissioner's Office for Shenyang under the NAO since April 1993 and the vice commissioner (in charge) of the Special Commissioner's Office for Lanzhou under the NAO since December 1999. He had also served as the head (commissioner level) of the organizing team of the Special Commissioner's Office for Changchun under the NAO since April 2001 and the commissioner of the Special Commissioner's Office for Shenyang under the NAO since January 2002. He had been the director of the Finance and Audit Department of the NAO since September 2006.

***XIAO Shusheng Non-executive Director***

Mr. XIAO Shusheng holds a Bachelor's degree and is a Senior Accountant. He now works with Central Huijin Investment Ltd. and has served as Non-executive Director of the Bank since February 2012. Mr. Xiao started working with the MOF in 1982, and served successively as vice director and director in the MOF Department of Accounting; vice secretary-general of Chinese Institute of Certified Public Accountants; director of Registration Department, Chinese Institute of Certified Public Accountants, and vice director and director of the MOF Accountants Qualification Appraisal Center.

***ZHAO Chao Non-executive Director***

Mr. ZHAO Chao holds a Bachelor's degree and is a Statistician. He now works with Central Huijin Investment Ltd. and has served as Non-executive Director of the Bank since February 2012. Mr. Zhao started working with Bureau of Statistics of Shanxi Province in 1982, and served successively as vice director of Finance and Trade Division, Bureau of Statistics of Shanxi Province; director of Business and Trade Division and Legislation Division, State-owned Assets Supervision and Administration Bureau of Shanxi Province; director of Supervision and Inspection Division, Policies and Legislation Department of National State-owned Assets Supervision and Administration Bureau, director of Property Rights Legal Affairs Division, the MOF State-owned Capital Basic Management Department; counsel of Lottery Management Division, the MOF Department of Policy Planning; secretary general of the MOF General Department, vice director of the MOF Investment Appraisal and Censoring Center, and vice counsel of the MOF Department of Treaty and Law.

***Anthony WU Ting-yuk Independent Non-executive Director***

Mr. Anthony WU Ting-yuk is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and member of the ninth, tenth and eleventh CPPCC National Committee. He has served as Independent Non-executive Director of the Bank since January 2009. Mr. Wu previously served successively as chairman of Far East and China, Ernst & Young PLLC, and chairman of Hong Kong Hospital Authority since October 2004. Mr. Wu is currently serving as chairman of Bauhinia Foundation Research Center, Hong Kong; chairman of Hong Kong General Chamber of Commerce; chief advisor of Greater China, Bank of Tokyo-Mitsubishi; director of Fidelity Funds; member of Hong Kong Commission on Strategic Development; member of Steering Committee on Community Care Fund; member of Hong Kong Health and Medical Development Advisory Committee; member of Committee for Pearl River Delta Project; member of board of directors, United Nations Association of the PRC; and trustee of Foundation of Oxford University. Mr. Wu was appointed as Justice of the Peace in 2004 and awarded Gold Bauhinia Star in 2008, respectively, by the Government of Hong Kong.

***QIU Dong Independent Non-executive Director***

Mr. QIU Dong received a PhD in economics and is a PhD supervisor, an expert entitled to Government Special Allowance by the State Council and a distinguished guest professor of Changjiang Scholars Program. He served as principal of Dongbei University of Finance and Economics and a representative of the Tenth National People's Congress. He is now chairman of academic committee of National Accounting Research Institute of Beijing Normal University. He has served as Independent Non-executive Director of the Bank since January 2009. Mr. Qiu is currently serving as member of the Appraisal Group of Philosophy, Social Science and Planning, member of the Disciplines Evaluation Panel of the Academic Degrees Committee of the State Council (Applied Economics), member of Economics Teaching Steering Committee for Universities and Colleges, Ministry of Education; member of the Advisory Committee of the National Bureau of Statistics of the PRC; vice president of National Accounting Society of China, vice president of Statistical Education Society of China, vice president of China Association of Market Information and Research; member of National Statistical Teaching Material Editing and Censoring Committee, and member of Selection Committee for Science and Technology Progress Award on Statistics of China; an adjunct PhD supervisor of Tianjin University of Finance and Economics, an adjunct professor of Zhejiang Gongshang University, Jinan University, Zhongnan University of Economics and Law, Shanxi University of Finance and Economics, Zhejiang University of Finance and Economics, Southwestern University of Finance and Economics, and member of Editorial Board of Statistical Research.

***Frederick MA Si-hang Independent Non-executive Director***

Mr. Frederick MA Si-hang received a Bachelor's degree in arts from the University of Hong Kong. He has served as Independent Non-executive Director of the Bank since April 2011. Mr. Ma was previously the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from 2002, and Secretary for Commerce and Economic Development of the Government of the Hong Kong Special Administrative Region from 2007 until he resigned in July 2008. Mr. Ma served as managing director in the London Office of RBC Dominion Securities, managing director and Asia chief of Global Private Bank of Chase Manhattan Bank and Asia-Pacific chief executive of JP Morgan Private Bank. Mr. Ma also served as deputy chairman and managing director of Kumagai Gumi (HK) Limited, chief financial officer and executive director of PCCW Limited as well as non-executive director of MTR Corporation Limited. Mr. Ma is currently a member of the International Advisory Council of China Investment Corporation, senior consultant of China Strategic Holdings Limited, independent non-executive director of China Resources Land Limited, director of Husky Energy Inc. and independent director of China Oil and Foodstuffs Corporation. Mr. Ma is an honorary professor of the School of Economics and Finance at University of Hong Kong and an honorary advisor to the School of Accountancy of Central University of Finance and Economics. Mr. Ma was awarded Gold Bauhinia Star in 2009 and appointed as Non-official Justice of the Peace in 2010, respectively, by the Government of Hong Kong.

***WEN Tiejun Independent Non-executive Director***

Mr. WEN Tiejun received a PhD in management from China Agricultural University. Mr. Wen is currently the dean of School of Agricultural Economics and Rural Development of Renmin University of China, a second-grade professor and an expert entitled to Government Special Allowance by the State Council, and has served as Independent Non-executive Director of the Bank since May 2011. He has concurrently served several positions at Renmin University of China since 2005, including director of Rural Reconstruction Center, executive president of Institute of Advanced Study of Sustainable Development, director of China Rural Economy and Finance Research Institute and deputy chairman of the Academic Committee of Renmin University of China. Mr. Wen has served as a member of the National Environment Advisory Committee, a strategic environmental assessment expert of the Ministry of Environmental Protection of the PRC and an invited expert at different research centers under the Ministry of Agriculture of the PRC, the State Forestry Administration of the PRC and the Ministry of Health of the PRC since 2005. Mr. Wen has served as vice president of the Chinese Association of Agricultural Economics since 2007 and a member of the Agriculture and Forestry team of the Sixth Session Disciplinary Assessment Team under the Academic Degree Commission of the State Council of the PRC since 2008. Mr. Wen was previously deputy secretary-general of China Society of Economic Reform, president and chief editor of China Reform Magazine Press as well as a researcher and chief of the Scientific Research Division of the Research Center for Rural Economy and deputy director of the Office of Pilot Area of Rural Reform under the Ministry of Agriculture of the PRC.



## Supervisors

Name <sup>2</sup>	Position	Gender	Age	Tenure
CHE Yingxin	Chairman of the Board of Supervisors	Male	57	2012.01-2015.01
LIU Hong	Supervisor Representing Shareholders	Male	43	2012.01-2015.01
JIA Xiangsen	Supervisor Representing Employees	Male	56	2009.04-2012.04
WANG Yurui	Supervisor Representing Employees	Male	56	2009.04-2012.04
YAN Chongwen	Supervisor Representing Employees	Male	59	2011.07-2014.07
ZHENG Xin	Supervisor Representing Employees	Male	53	2011.07-2014.07

### *CHE Yingxin Chairman of the Board of Supervisors*

Mr. CHE Yingxin holds a Bachelor's degree. He has served as the chairman of the Board of Supervisors of the Bank since January 2009. Mr. Che previously served successively as president of Lushi sub-branch of the PBOC, vice president of Luoyang branch of the PBOC and deputy governor of Luoyang branch of the SAFE; president of Sanmenxia branch of the PBOC and governor of Sanmenxia branch of the SAFE; president of Xinyang branch of the PBOC and governor of Xinyang branch of the SAFE; vice president of Henan branch of the PBOC and deputy governor of Henan branch of the SAFE; deputy director of the Inspection Bureau of the PBOC; deputy secretary of the Commission for Discipline Inspection and director of the Inspection Bureau of the PBOC; deputy secretary of Communist Party of China Central Commission for Financial Discipline Inspection; director of Financial Inspection Bureau of Ministry of Supervision; and director of Banking Supervision Department I of the CBRC. Mr. Che was appointed as assistant to chairman of the CBRC in February 2005, and chairman of the board of supervisors of Key State-owned Financial Institutions in December 2005.

### *LIU Hong Supervisor Representing Shareholders*

Mr. LIU Hong holds a Bachelor's degree and is a Senior Economist. He has served as a supervisor representing shareholders of the Bank since January 2012. Mr. Liu previously served successively in several positions in the Bank, including deputy director of Labour and Wages Division and director of Wages and Benefits Division of Personnel Department, deputy president of Qingdao branch in April 2005, deputy general manager of the Personnel Department in November 2006, deputy director of the Executive Office and publisher and editor-in-chief of *China Urban-Rural Financial News* (secondary department level) in May 2010, and director of the Office of the Board of Supervisors of the Bank since July 2011.

<sup>2</sup> The table sets out certain information of the supervisors as at the date when the Board of Directors approved this results announcement. Please refer to "Change in Directors, Supervisors and Senior Management" in this section on the information relating to the change in supervisors.

### ***JIA Xiangsen Supervisor Representing Employees***

Mr. JIA Xiangsen graduated from a Master program in money and banking at the Chinese Academy of Social Sciences and is a Senior Economist. He has served as a supervisor representing employees of the Bank since April 2009. Mr. Jia previously served successively as officer and deputy section chief of the PBOC Beijing branch, and deputy director of the PBOC Fengtai District Office. Then Mr. Jia served in several positions in the Bank, including vice president of Beijing Fengtai sub-branch, deputy chief of the Education Division of Beijing branch, deputy director of the Credit Cooperation Management Department of Beijing branch and deputy chief of the Science and Technology Division of Beijing branch. Mr. Jia also once served as president of Beijing Dongcheng sub-branch and assistant to president of Beijing branch. Mr. Jia was appointed as vice president of Beijing branch of the Bank in November 1994, general manager of the Corporate Banking Department of the Bank in December 2000, president of Guangdong branch of the Bank in November 2003, principal of the Audit Office of the Bank in April 2008, and chief auditor and principal of the Audit Office of the Bank in March 2010. He is concurrently serving as the deputy director-general of China Association for Promoting Technology and Finance.

### ***WANG Yurui Supervisor Representing Employees***

Mr. WANG Yurui holds a Bachelor's degree and is an Engineer. He was appointed as a supervisor representing shareholders of the Bank in January 2009 and has served as a supervisor representing employees of the Bank since April 2009. Mr. Wang previously served successively as deputy director of the Construction and Finance Division of the Science and Education Department, the PBOC; deputy director of the Plan and Finance Division of the Education Department, the PBOC; deputy governor of the PBOC Weihai branch; and deputy director of the Integrated Services Division of the Accounting and Treasury Department, the PBOC. Mr. Wang was appointed as deputy director of the board of supervisors of China Galaxy Securities Company in July 2000; full-time supervisor (at the director level) of the board of supervisors of Bank of Communications in August 2003; full-time supervisor (at the director level) of the Board of Supervisors of the Bank in August 2004; and full-time supervisor (at the deputy bureau level) of the Board of Supervisors of the Bank in April 2008. Mr. Wang was a member of the seventh and the eighth All-China Youth Federation and a member of the tenth CPPCC Standing Committee of Xicheng District of Beijing.

### ***YAN Chongwen Supervisor Representing Employees***

Mr. YAN Chongwen graduated with a junior college diploma and is a Senior Economist. Mr. Yan has served as a supervisor representing employees of the Bank since July 2011. He used to serve as deputy chief and chief of Section Two of the Political Department of the Ministry of Geology and Mineral Resources. He became assistant to the chief and then deputy chief of Geology and Mineral Resources Bureau of Jiangsu Province in February 1992 and July 1993, respectively. Mr. Yan was appointed as supervisor of the Supervision and Security Department of the Bank in July 1995, deputy general manager of the Personnel and Education Department of the Bank in December 1996 and deputy general manager of the Human Resources Department of the Bank in April 1998. Mr. Yan has served as general manager of the Inspection and Supervision Department of the Bank since April 2000.

## **ZHENG Xin** *Supervisor Representing Employees*

Mr. ZHENG Xin graduated with a junior college diploma and is a Senior Accountant. Mr. ZHENG has served as a supervisor representing employees of the Bank since July 2011. When he worked at Shanghai branch of the Bank, he used to serve as deputy chief of the Personnel Bureau, deputy chief and chief of the Finance and Accounting Bureau and president of Xuhui Sub-branch. Mr. ZHENG became vice president of Shanghai branch of the Bank in December 1996, president of Anhui branch of the Bank in December 2003 and president of Shanghai branch of the Bank in January 2007. He was appointed as general manager of the Internal Control and Compliance Department of the Bank in July 2009. He has served as general manager of the Internal Control and Legal & Compliance Department of the Bank since July 2011.

### **Our Senior Management**

<b>Name<sup>3</sup></b>	<b>Position</b>	<b>Gender</b>	<b>Age</b>	<b>Tenure</b>
ZHANG Yun	Vice Chairman, Executive Director, President	Male	52	2009.01-
YANG Kun	Executive Director, Executive Vice President	Male	53	2009.01-
GUO Haoda	Executive Vice President	Male	54	2009.01-
PAN Gongsheng	Executive Director, Executive Vice President	Male	48	2009.01-
CAI Huaxiang	Executive Vice President	Male	52	2010.02-
GONG Chao	Executive Vice President, Secretary of the Party Discipline Committee	Male	52	2012.03-
WANG Wei	Member of Senior Management	Male	49	2011.12-
LI Zhenjiang	Secretary to the Board of Directors	Male	41	2009.01-

<sup>3</sup> The table sets out certain information of Senior Management as at the date when the Board of Directors approved this results announcement. Please refer to “Change in Directors, Supervisors and Senior Management” in this section on the information relating to the change in Senior Management.

For detailed biographies of Zhang Yun, Yang Kun and Pan Gongsheng, please see “Our Directors” above. The biographies of other Senior Management personnel are as follows:

***GUO Haoda Executive Vice President***

Mr. GUO Haoda holds a Bachelor’s degree and is a Senior Economist. Mr. Guo is an expert entitled to Government Special Allowance by the State Council. He has served successively as executive vice president of the Bank and president of Beijing branch since January 2009 and has served as executive vice president of the Bank since March 2010. Mr. Guo previously served as vice president and president of Jiangsu province Suzhou branch; president of Shenzhen branch; and president of Jiangsu branch. Mr. Guo was appointed as executive vice president of the Bank and president of Beijing branch in April 2008. Mr. Guo received National May 1st Labor Medal in 2003. Mr. Guo serves concurrently as vice president of All-China Environment Federation.

***CAI Huaxiang Executive Vice President***

Mr. CAI Huaxiang received a Master’s degree in engineering from China University of Geosciences and is a Senior Economist. He has served as executive vice president of the Bank since February 2010. Mr. Cai previously served successively as deputy director of the Personnel Bureau of China Development Bank; president of Nanchang branch and Jiangxi branch of China Development Bank; general manager of Operation Department of China Development Bank and president of Beijing branch of China Development Bank. Mr. Cai was appointed as vice president of China Development Bank Corporation in September 2008.

***GONG Chao Executive Vice President and Secretary of the Party Discipline Committee***

Mr. GONG Chao received a Master’s degree in Economics from Xi’an Jiaotong University and is a Senior Economist. He has served as Secretary of the Party Discipline Committee of the Bank since December 2011, and as Executive Vice President of the Bank since March 2012. Mr. Gong previously served as the deputy director of the human resources department of Agricultural Development Bank of China, deputy director of the Administrative Affairs Department and the Executive General Office of the SSF, vice president of the Beijing branch of Agricultural Development Bank of China, Mr. Gong was appointed as general manager of the human resources department of Agricultural Development Bank of China in September 2006.

***WANG Wei Member of Senior Management***

Mr. WANG Wei received a Master’s degree in economics from Nanjing Agricultural University and is a Senior Economist. He has served as a member of Senior Management of the Bank since December 2011. Mr. Wang previously served as deputy president of Ningxia branch, deputy president of Gansu branch, president of Gansu branch, president of Xinjiang branch, president and office manager of Xinjiang Production and Construction Corps branch, president of Hebei branch, general director of the Internal Control and Compliance Department and the Human Resources Department of Hebei branch. He was appointed as chief supervisor of the County Area business and general manager of the Human Resources Department of the Bank in April 2011.

## ***LI Zhenjiang Secretary to the Board of Directors***

Mr. LI Zhenjiang received a PhD in economics from Nankai University and is a Senior Economist and an expert entitled to Government Special Allowance by the State Council. He has served as secretary to the Board of Directors and managing director of the Office of Board of Directors of the Bank since January 2009. Mr. Li previously served successively as chief of Policy Research Division of the PBOC General Administration Department and vice director of the Integrated Management Department of the PBOC Shanghai Head Office. Mr. Li was appointed as deputy director of Restructuring Office of the Bank in August 2007, director of Research Office of the Bank in January 2008, and general manager of Strategic Management Department of the Bank in October 2008.

## **Change in Directors, Supervisors and Senior Management**

### ***Change in Directors***

On 2 March 2011, Mr. Frederick MA Si-hang and Mr. WEN Tiejun were elected as Independent Non-executive Directors of the Bank at the first Extraordinary General Meeting for 2011. The qualifications of Mr. Ma and Mr. Wen were approved by the CBRC on 18 April and 17 May 2011, respectively.

On 28 March 2011, Mr. YUAN Linjiang ceased to act as Non-executive Director of the Bank due to the need of other work.

On 8 June 2011, Mr. LI Yelin was elected as Non-executive Director of the Bank at the Annual General Meeting for 2010. The qualification of Mr. Li was approved by the CBRC on 29 July 2011.

On 28 October 2011, Mr. XIANG Junbo resigned as Chairman and Executive Director of the Bank due to the need of state financial work.

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

On 16 January 2012, at the first Extraordinary General Meeting for 2012, Mr. ZHANG Yun and Mr. YANG Kun were re-elected as Executive Directors of the Bank, Mr. LIN Damao, Mr. SHEN Bingxi and Mr. CHENG Fengchao were re-elected as Non-executive Directors of the Bank, and Mr. Anthony WU Ting-yuk and Mr. QIU Dong were re-elected as Independent Non-executive Directors of the Bank, with effect from the day of approval at the general meeting.

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

On 16 January 2012, Mr. JIANG Chaoliang was elected as Chairman of the Board of Directors and Mr. ZHANG Yun was re-elected as Vice Chairman of the Board of Directors, at the second meeting of the Board of Directors for 2012.

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

### ***Change in Supervisors***

On 27 July 2011, Mr. WANG Xingchun resigned as Supervisor Representing Employees of the Bank due to the need of other work.

On 27 July 2011, Mr. YAN Chongwen and Mr. ZHENG Xin were elected as Supervisors Representing Employees of the Bank at the third meeting of the first session of the employee representative congress of the Bank.

On 16 January 2012, Mr. CHE Yingxin was re-elected as Supervisor Representing Shareholders and Mr. LIU Hong was elected as Supervisor Representing Shareholders at the first Extraordinary General Meeting of the Bank for 2012. Mr. PAN Xiaojiang ceased to act as Supervisor Representing Shareholders due the expiration of his term.

On 16 January 2012, Mr. CHE Yingxin was re-elected as Chairman of the Board of Supervisors of the Bank at the second meeting of the Board of Directors for 2012.

### ***Change in Senior Management***

On 29 December 2011, Mr. WANG Wei was appointed as a member of Senior Management of the Bank.

On 11 January 2012, Mr. ZHU Hongbo ceased to act as Executive Vice President of the Bank due to the need of other work.

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

## Annual Remuneration

The remuneration of Directors, Supervisors and Senior Management during 2011 is set out in the below table.

Unit: RMB Ten Thousand

Name	Position	Remuneration paid (before tax) <sup>(1)</sup>	Contribution to all kinds of social insurance, housing fund, etc. <sup>(2)</sup>	Salary of part-time positions <sup>(3)</sup>	Total remuneration before tax <sup>(4)=(1)+(2)+(3)</sup>
JIANG Chaoliang	Chairman, Executive Director	—	—	—	—
ZHANG Yun	Vice Chairman, Executive Director, President	81.31	24.83	—	106.14
YANG Kun	Executive Director, Executive Vice President	67.86	23.70	—	91.56
PAN Gongsheng	Executive Director, Executive Vice President	67.86	23.70	—	91.56
SHEN Bingxi	Non-executive Director	—	—	—	—
LIN Damao	Non-executive Director	—	—	—	—
CHENG Fengchao	Non-executive Director	—	—	—	—
LI Yelin	Non-executive Director	—	—	—	—
XIAO Shusheng	Non-executive Director	—	—	—	—
ZHAO Chao	Non-executive Director	—	—	—	—
Anthony WU Ting-yuk	Independent Non-executive Director	—	—	38.30	38.30
QIU Dong	Independent Non-executive Director	—	—	44.00	44.00
Frederick MA Si-hang	Independent Non-executive Director	—	—	26.56	26.56
WEN Tiejun	Independent Non-executive Director	—	—	22.59	22.59
CHE Yingxin	Chairman of the Board of Supervisors	75.30	24.38	—	99.68
LIU Hong	Supervisor Representing Shareholders	—	—	—	—
JIA Xiangsen	Supervisor Representing Employees	—	—	3	3
WANG Yurui	Supervisor Representing Employees	—	—	3	3
YAN Chongwen	Supervisor Representing Employees	—	—	1.25	1.25
ZHENG Xin	Supervisor Representing Employees	—	—	1.25	1.25
GUO Haoda	Executive Vice President	67.86	23.70	—	91.56
CAI Huaxiang	Executive Vice President	67.86	23.70	—	91.56
GONG Chao	Executive Vice President, Secretary of the Party Discipline Committee	—	—	—	—
WANG Wei	Member of Senior Management	—	—	—	—
LI Zhenjiang	Secretary to the Board of Directors	60.97	23.02	—	83.99

- Note:*
- The Directors, Supervisors and Senior Management members of the Bank who are also our employees are entitled to receive emoluments from the Bank. The emoluments include salary, bonus and contributions to all kinds of social insurance and housing fund, etc. from the Bank. The Independent Non-executive Directors of the Bank are entitled to receive salaries and allowances. The Chairman, Executive Directors and Senior Management members did not receive any remuneration from any subsidiaries of the Bank.
  - Mr. JIANG Chaoliang served as Chairman of the Board of Directors and Executive Director of the Bank since 16 January 2012.

3. Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng, Mr. ZHAO Chao, Mr. ZHANG Guoming, Ms. XIN Baorong and Mr. YUAN Linjiang were not entitled to any remuneration from the Bank.
4. Mr. Frederick MA Si-hang and Mr. WEN Tiejun served as Independent Non-executive Directors of the Bank since April and May 2011, respectively. Their remunerations for holding the positions of Independent Non-executive Directors of the Bank in 2011 were based on their actual terms of office.
5. The table sets out the remuneration before tax for our Supervisors, except Chairman of the Board of Supervisors, working as the Supervisor Representing Shareholders or the Supervisor Representing Employees.
6. Mr. LIU Hong was not entitled to any salary of part-time position as Supervisor Representing Shareholders from the Bank.
7. Mr. YAN Chongwen and Mr. ZHENG Xin served as Supervisors Representing Employees since 27 July 2011. Their remunerations for holding the positions of Supervisors Representing Employees of the Bank in 2011 were based on their actual terms of office.
8. Mr. GONG Chao served as Executive Vice President and Secretary of the Party Discipline Committee of the Bank since March 2012.
9. Mr. WANG Wei served as a member of Senior Management of the Bank since December 2011.

According to the requirements of the relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other Senior Management members for the year 2011 is still subject to final confirmation. A separate announcement will be published to disclose the details of remuneration.

As of 31 December 2011, except that Mr. ZHENG Xin, our Supervisor, who held 500,000 A shares of the Bank, none of the other Directors, Supervisors and Senior Management members held any shares of the Bank. During the reporting period, none of the Directors, Supervisors and members of the Senior Management held or trade shares, or held share options or were granted restricted shares of the Bank.



# Corporate Governance

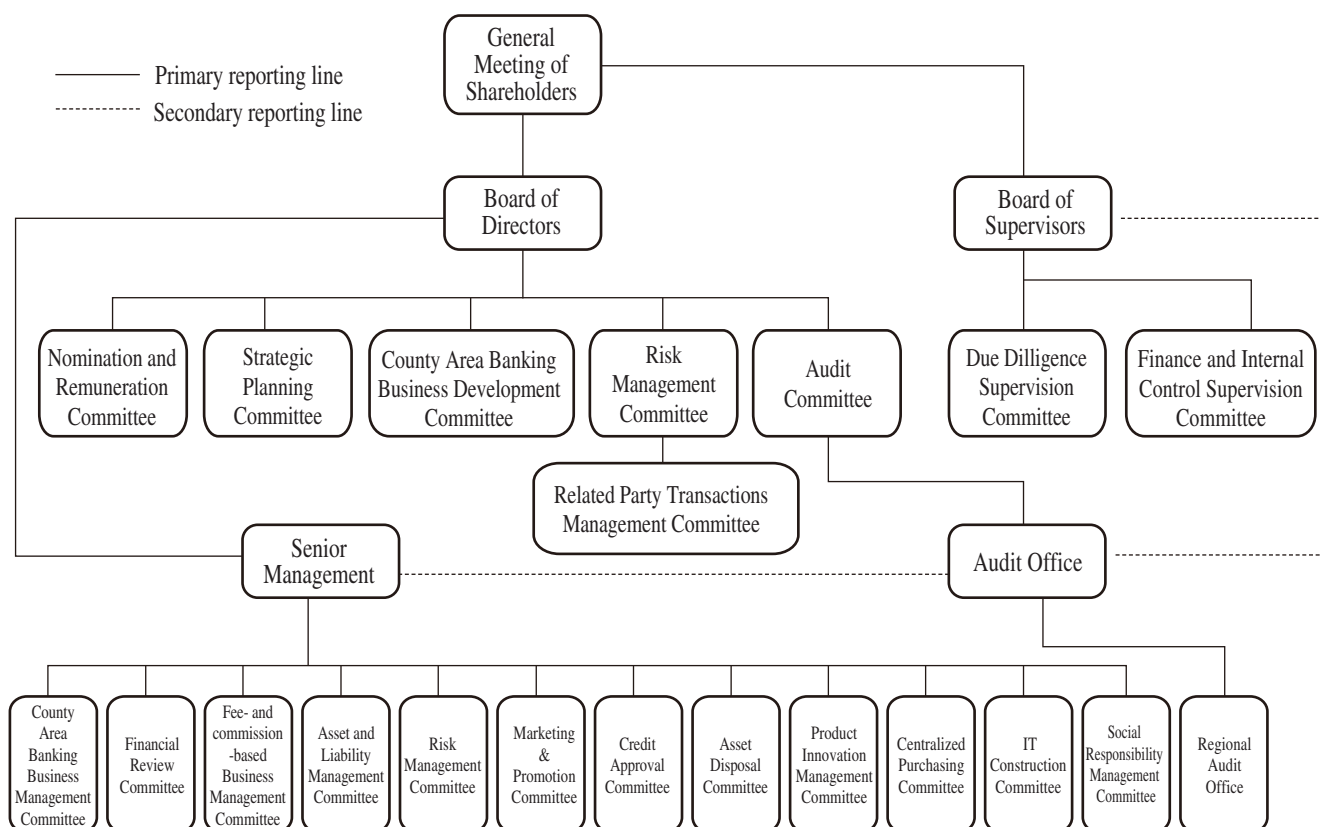
During the reporting period, we further improved the standardization and rationality of corporate governance practices, strengthened the development of systems and refined the operation of mechanism, thereby solidifying a firm foundation regarding internal policies and corporate governance for developing as a first-class modern commercial bank.

We strictly complied with laws and regulations of the place of business and regulatory requirements of the places of listing. In accordance with the Bank's strategic development plan, we amended the *Scheme of Authorisation to the President by the Board of Directors*. Furthermore, we replenished the members of the Board of Directors according to the Articles of Association and adjusted the composition of special committees. During the reporting period, we further enhanced our information disclosure system, formalized our investor relations activities and continued to improve the transparency of our corporate governance. Meanwhile, we continued to promote a comprehensive risk management system, strengthened our internal controls and compliance management, and elevated our corporate governance.

During the reporting period, we complied with all of the code provisions stipulated in the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules, and generally followed the recommended best practice according to the Code on Corporate Governance Practices. The overall corporate governance system was effective.

Our corporate governance was recognized by the market in 2011 and received awards including the "Hong Kong Corporate Governance Excellence Award 2011" from the Chamber of Hong Kong Listed Companies and "The Asset's Platinum Award on Corporate Governance" from *The Asset* in Hong Kong.

**The Corporate Governance Structure Chart of the Bank**



## **Board of Directors and Special Committees**

### ***Composition of the Board of Directors***

At the end of the reporting period, the Board of Directors comprised 13 members, including three Executive Directors, namely Mr. ZHANG Yun, Mr. YANG Kun and Mr. PAN Gongsheng; six Non-executive Directors, namely Mr. SHEN Bingxi, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. LIN Damao, Mr. CHENG Fengchao and Mr. LI Yelin; and four Independent Non-executive Directors, namely Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick MA Si-hang and Mr. WEN Tiejun. Details of the Directors are set out in the section headed “Directors, Supervisors and Senior Management” in this results announcement.

### ***Functions of the Board of Directors***

The primary functions of the Board of Directors include, but are not limited to, the followings:

- convening the general meeting of shareholders and reporting to the General Meeting of Shareholders;
- implementation of the resolutions of the general meeting of shareholders;
- decision on development strategy (including development strategy of the County Area Banking Business);
- decision on business plan and investment plan;
- decision on plan of risk-based capital allotment;
- formulation of proposal of annual financial budgets and final accounts;
- formulation of profit distribution and loss appropriation plans;
- formulation of plan of increase or reduction of registered capital;
- formulation of plan of issuance of corporate bonds or other securities and listing plan;
- formulation of general internal management policies, risk management and internal control policies, and supervision of the implementation of these rules and policies;
- review and approval of general risk management report of Senior Management and evaluation of effectiveness of risk management and improvement thereof;
- other functions authorized by the General Meeting of Shareholders or the Articles of Association.

## Meetings of the Board of Directors

During the reporting period, the Bank convened a total of 11 meetings of the Board of Directors, at which 43 proposals, including issuance of subordinated bonds, investment in Jiahe Life, 2010 annual report, 2010 corporate social responsibility report, risk preferences management measures, investor relations management measures and nomination of Directors, were considered and approved.

The attendance of Directors at meetings of the Board of Directors and committees of the Board of Directors during the reporting period is listed below:

*Number of actual attendance/meetings requiring attendance*

Directors	Board of Directors	Special Committees of the Board of Directors					Risk Management Committee	Related Party Transactions Management Committee
		Strategic Planning Committee	County Area Banking Business Development Committee	Nomination and Remuneration Committee	Audit Committee	Management Committee		
<b>Executive Directors</b>								
ZHANG Yun	11/11	5/5	3/3	5/5				
YANG Kun	11/11	5/5	3/3			6/6		
PAN Gongsheng	11/11	5/5						
<b>Non-executive Directors</b>								
LIN Damao	11/11			5/5	6/6	6/6		
ZHANG Guoming	11/11	5/5	3/3			6/6		
XIN Baorong	11/11	5/5	3/3		6/6			
SHEN Bingxi	11/11	5/5	3/3	5/5				
CHENG Fengchao	11/11	5/5				6/6		
LI Yelin	4/4	1/1				2/2		1/1
<b>Independent Non-executive Directors</b>								
Anthony WU Ting-yuk	11/11	5/5		5/5	5/5			
QIU Dong	11/11		3/3	5/5	6/6	6/6		1/1
Frederick MA Si-hang	7/7			3/3	1/1	4/4		1/1
WEN Tiejun	5/5		3/3	2/2	3/3			
<b>Resigned Directors</b>								
XIANG Junbo	9/9	4/4						
YUAN Linjiang	3/3	3/3				1/1		

*Note:* Changes of the Directors are set out in the section headed “Directors, Supervisors and Senior Management”. Actual attendance includes attendance in person and by proxy.

## ***Implementation of Resolutions of the General Meeting of Shareholders by the Board of Directors***

The *Proposal on the Amendments to By-laws of the General Meeting of Shareholders of Agricultural Bank of China*, *Proposal on the Amendments to By-laws of the Meeting of Board of Directors of Agricultural Bank of China* and *Proposal on the Amendments to By-laws of the Meeting of Board of Supervisors of Agricultural Bank of China* were passed at the first Extraordinary General Meeting of the Bank in 2011. The above amendments came into effect on 2 March 2011.

The *Proposal on the Election of Independent Non-executive Directors of Agricultural Bank of China* was passed at the first Extraordinary General Meeting for 2011, and Mr. Frederick MA Si-hang and Mr. WEN Tiejun were appointed as Independent Non-executive Directors. The qualifications of Mr. MA and Mr. WEN were approved by the CBRC.

The *Proposal on the Authorization to the Board of Directors for Enrolment of Liability Insurance for the Directors, Supervisors and Senior Management* was passed at the first Extraordinary General Meeting for 2011 and the Board of Directors completed relevant matters in relation to the enrolment of liability insurance.

The *Proposal on the Issuance of Subordinated Bonds of Agricultural Bank of China* was passed at the first Extraordinary General Meeting for 2011 and the Bank completed the issuance of the subordinated bonds on 7 June 2011.

The *Proposal on the Final Accounts of 2010*, *Proposal on the Profit Distribution Plan from 1 July to 31 December 2010* and *Proposal on Budget for Investment in Fixed Assets for 2011* were passed at the Annual General Meeting for 2010 and the Board of Directors completed the implementation of the above proposals.

The *Proposal on the Appointment of Accounting Firm for 2011* was passed at the Annual General Meeting for 2010, and the Board of Directors appointed Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as our auditors for 2011.

The *Proposal on the Election of Non-executive Director of Agricultural Bank of China* was passed in the Annual General Meeting for 2010, and Mr. LI Yelin was appointed as Non-executive Director. The qualification of Mr. LI was approved by the CBRC.

The *Proposal on the Remuneration Policy for Directors and Supervisors for 2010* was passed at the Annual General Meeting for 2010. The Bank paid the relevant allowances.

## ***Implementation of Authorization to the Board of Directors by the Shareholders' Meeting***

The Board of Directors strictly complied with the requirements of the Articles of Association and the *Proposal on the Authorization to the Board of Directors by the Shareholders' Meeting* in performing its duties, making prudent decisions and regulating the exercise of powers. During the reporting period, the Board of Directors did not approve any proposal beyond its powers.

## ***Independence of and Performance of Duties by Independent Non-executive Directors***

Independent Non-executive Directors are not involved in any business or financial interests of the Bank or our subsidiaries and do not take any managerial position in the Bank. We have received annual independence confirmations from all Independent Non-executive Directors and confirmed their independence.

During the reporting period, Independent Non-executive Directors played an active role in the meetings of the Board of Directors and special committees; carried out various on-site research investigations regarding financial markets business, financial development in County Areas, risk management and internal controls etc.; provided independent and professional advice after collecting and collating information through seminars; and made many pertinent suggestions concerning major decisions at the meetings of the Board of Directors. They also maintained close communications with Senior Management, diligently fulfilled their obligations and performed their duties. They complied with the *Work Measures on Annual Report for Independent Directors* to provide strong support to the Board of Directors to make rational decisions.

During the reporting period, no objection was made on the resolutions of the Board of Directors or special committees by Independent Non-executive Directors.

### ***Special Committees of Board of Directors***

The special committees of the Board of Directors comprised the Strategic Planning Committee, County Area Banking Business Development Committee, Nomination and Remuneration Committee, Audit Committee, and Risk Management Committee. The Related Party Transactions Management Committee was established under the Risk Management Committee. During the reporting period, the Board of Directors made the following adjustments to the composition of the special committees of Board of Directors:<sup>4</sup>

Mr. YUAN Linjiang tendered his resignation as member of the Strategic Planning Committee, Risk Management Committee and Related Party Transactions Management Committee of the Board of Directors due to the need of other work;

Mr. Frederick MA Si-hang acted as member of the Nomination and Remuneration Committee, and as member and Chairman of the Risk Management Committee and Related Party Transactions Management Committee;

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<sup>4</sup> On 16 January 2012, the Bank convened the second meeting of the Board of Directors for 2012, and elected Mr. JIANG Chaoliang as Chairman of the Bank who will concurrently serve as Chairman of the Strategic Planning Committee of the Board of Directors pursuant to the Articles of Association of the Bank. The composition of the Committees were also adjusted in the meeting as follows: Mr. SHEN Bingxi acted as member of the Risk Management Committee and ceased to act as member of the County Area Banking Business Development Committee; Mr. CHENG Fengchao acted as member of the County Area Banking Business Development Committee and the Audit Committee, and ceased to act as member of the Risk Management Committee; Mr. XIAO Shusheng served as member of the Strategic Planning Committee, the County Area Banking Business Development Committee and the Risk Management Committee; Mr. ZHAO Chao served as member of the Strategic Planning Committee and the County Area Banking Business Development Committee. On 16 January 2012, due to their expiry of term of office, Mr. ZHANG Guoming ceased to act as a member of the Strategic Planning Committee, County Area Banking Business Development Committee and Risk Management Committee; Ms. XIN Baorong ceased to act as a member of the Strategic Planning Committee, County Area Banking Business Development Committee and Audit Committee.

Mr. WEN Tiejun acted as member of the County Area Banking Business Development Committee, the Nomination and Remuneration Committee and the Audit Committee;

Mr. LI Yelin acted as member of the Strategic Planning Committee, the Risk Management Committee and the Related Party Transactions Management Committee;

Mr. XIANG Junbo tendered his resignation as Chairman and member of the Strategic Planning Committee due to the need of other work;

Mr. Frederick MA Si-hang acted as Chairman and member of the Audit Committee, and ceased to act as Chairman and member of the Risk Management Committee and the Related Party Transactions Management Committee;

Mr. Anthony WU Ting-yuk acted as Chairman and member of the Risk Management Committee and the Related Party Transactions Management Committee, and ceased to act as Chairman and member of the Audit Committee.

The composition and duties of each of the special committees are as follows:

#### Strategic Planning Committee

At the end of the reporting period, the Strategic Planning Committee of the Board of Directors of the Bank comprised nine Directors, including Mr. ZHANG Yun, the Vice Chairman, and Mr. YANG Kun, Mr. PAN Gongsheng, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi, Mr. CHENG Fengchao, Mr. LI Yelin and Mr. Anthony WU Ting-yuk. Mr. JIANG Chaoliang, the Chairman, has been appointed as Chairman of the Strategy Planning Committee. The duties of the Strategic Planning Committee are primarily to review the overall development strategy and specific strategic development plans, major investment and financing plans, mergers and acquisitions plans and other material matters critical to the development of the Bank and make proposals to our Board of Directors.

During the reporting period, the Strategic Planning Committee convened five meetings and considered ten proposals including the issuance of subordinated bonds and the investment in Jiahe Life.

#### County Area Banking Business Development Committee

At the end of the Reporting Period, the County Area Banking Business Development Committee of the Board of Directors comprised seven Directors, including Mr. ZHANG Yun, the Vice Chairman, Mr. YANG Kun, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi, Mr. QIU Dong and Mr. WEN Tiejun. Mr. ZHANG Yun, the Vice Chairman, is the Chairman of the County Area Banking Business Development Committee. The duties of the County Area Banking Business Development Committee are primarily to review the strategic development plan, the policies, basic management rules and the risk strategic plan of the County Area Banking Business and other major matters critical to the development of the County Area Banking Business. It is also responsible for monitoring the implementation of our County Area Banking Business strategic plan, policy and basic management rules, evaluating the services for County Area Banking customers, and making recommendations to the Board of Directors.

During the reporting period, the County Area Banking Business Development Committee convened three meetings and reviewed three reports in relation to the business operation and the pilot program of the County Area Banking Division.

#### Nomination and Remuneration Committee

At the end of the Reporting Period, the Nomination and Remuneration Committee of the Board of Directors comprised seven Directors, including Mr. ZHANG Yun, the Vice Chairman, Mr. LIN Damao, Mr. SHEN Bingxi, Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick Ma Si-hang and Mr. WEN Tiejun. Mr. QIU Dong is Chairman of the Nomination and Remuneration Committee. The duties of the Nomination and Remuneration Committee are primarily to review and monitor our remuneration and performance evaluation system, to make proposals to the Board of Directors on the selection and appointment procedures, qualifications, compensation and incentive plans for Directors, Supervisors and Senior Management, and to assess the performance and due diligence of Directors and Senior Management.

According to the director nomination procedures adopted during the reporting period, candidate directors shall be nominated by the Board of Directors by proposals accompanied by written materials on basic information and biographies. Directors shall be elected at the general meetings of the Bank.

In the process of nominating candidate directors, the Nomination and Remuneration Committee mainly takes into account their qualifications, their compliance with laws, administrative regulations and rules and the Articles of Association, due diligence, their understanding of our operation and management and willingness to accept supervision of their performance by the Board of Supervisors of the Bank. The quorum of the meetings of the Nomination and Remuneration Committee shall be more than half of its members. A resolution shall be passed by a majority of votes of all its members.

During the reporting period, the Nomination and Remuneration Committee convened five meetings and considered 15 proposals including the nomination of candidates of Independent Non-executive Directors and Non-executive Directors, the adjustment of the composition of the special committees and remuneration policy for Directors, Supervisors and Senior Management of 2010.

#### Audit Committee

At the end of the reporting period, the Audit Committee of the Board of Directors comprised five Directors, namely Mr. LIN Damao, Ms. XIN Baorong, Mr. Frederick MA Si-hang, Mr. QIU Dong and Mr. WEN Tiejun. Mr. Frederick MA Si-hang is Chairman of the Audit Committee. The duties of the Audit Committee are primarily to supervise, inspect and review our internal audit, financial information and internal controls, and to make recommendations to the Board of Directors.

### *Performance of Audit Committee*

During the reporting period, the Audit Committee of the Board of Directors convened six meetings and considered six proposals including the 2010 annual report, key auditing work of 2011 and the engagement of accounting firms for 2011 and reviewed 12 reports including auditing plan for 2011 and internal audit work report for 2010. The Audit Committee regularly reviewed the financial reports of the Bank and considered and approved the annual report, the first quarterly report, the interim report, and the third quarterly report of the Bank. It is also responsible for monitoring the performance of the external auditor and considering various reports in relation to the external auditor's statements on the audit results, annual auditing plan and management recommendations.

The Audit Committee convened a meeting on 19 March 2012 and considered that the 2011 Financial Statements of the Bank truthfully and completely reflected our financial position. The Audit Committee reviewed the auditor's reports from Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu, discussed the issues relating to the engagement of accounting firms for 2012, and agreed to submit it to the Board of Directors for their review.

### *Formulation and Perfection of Working Rules of Audit Committee*

The Board of Directors formulated the *Working Rules of Audit Committee* to provide safeguard for the Audit Committee to perform its duties of monitoring auditing work and managing the auditing system. The Board of Directors formulated the Internal Auditing Charter and the Working Guidelines on Annual Report for the Audit Committee to further clarify the obligations of the Audit Committee in internal auditing, financial reporting, internal control and information disclosure in annual report.

### *Risk Management Committee*

At the end of the reporting period, the Risk Management Committee of the Board of Directors comprised seven Directors, including Mr. YANG Kun, Mr. LIN Damao, Mr. ZHANG Guoming, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. Anthony WU Ting-yuk and Mr. QIU Dong. Mr. Anthony WU Ting-yuk is Chairman of the Risk Management Committee. The duties of the Risk Management Committee are primarily to review our risk strategy, risk management policies and procedures as well as internal control procedures, supervise and assess the performance of relevant senior management members and risk management departments in respect of risk management, and to make recommendations to the Board of Directors.

During the reporting period, the Risk Management Committee convened six meetings and considered three proposals including the assessment report on internal control, administrative measures for risk preferences, and reviewed 12 reports in relation to the implementation of Basel II, the periodical risk exposure and the policies and implementation of internal rating verification.



## Related Party Transactions Management Committee

At the end of the reporting period, the Related Party Transactions Management Committee of the Board of Directors comprised three Directors, including Mr. LI Yelin, Mr. Anthony WU Ting-yuk and Mr. QIU Dong. Mr. Anthony WU Ting-yuk is Chairman of the Related Party Transactions Management Committee. The duties of the Related Party Transactions Management Committee are primarily to identify related parties of the Bank, consider and approve our general management system for related party transactions, review and record the related party transactions, and make proposals to our Board of Directors.

During the reporting period, the Related Party Transactions Management Committee of the Board of Directors convened one meeting and reviewed the report of related party transaction management of the Bank for 2010.

### *Specific Statement and Independent Opinions of Independent Non-executive Directors on the Guarantee Business of the Bank*

#### **Specific Statement and Independent Opinions of Independent Non-executive Directors on the Guarantee Business of the Bank**

Pursuant to the relevant provisions set forth in the “Notice Regarding Certain Issues of Regulating Fund Transfers Between Listing Companies and the Related Party and the Guarantee Business of Listing Companies” (Zheng Jian Fa [2003] No.56) issued by the CSRC and requirements of Shanghai Stock Exchange, as the Independent Non-executive Directors of Agricultural Bank of China Limited, we reviewed the guarantee business of the Bank based on the principles of justice, fairness and objectivity, and issued our specific statements and opinions as follows:

According to our review, the guarantee business of the Bank is mainly to issue letters of guarantee, which has been approved by the PBOC and the CBRC as one of the ordinary businesses of the Bank. As of 31 December 2011, the balance of the guarantee business of the Bank (including guarantees and letters of guarantee issued by the Bank) amounted to RMB223.389 billion.

The Bank has attached great importance to the risk management of the guarantee business and formulated strict requirements in respect of the assets and credit quality of guaranteed parties and the operational procedure and approval process of the guarantee business. We believe that the Bank’s control on the guarantee business has been effective.

Independent Non-executive Directors of Agricultural Bank of China Limited  
Anthony WU Ting-yuk, QIU Dong, Frederick MA Si-hang and WEN Tiejun

## ***Responsibilities of the Directors on the Financial Statements***

The Directors are responsible for monitoring the preparation of financial statements of each accounting period that give a true and fair view of the financial position, operating results and cash flows of the Group. In preparation for the financial statements for the year ended 31 December 2011, the Directors adopted and applied relevant accounting policies consistently, and made judgment and estimation prudently and reasonably.

During the reporting period, the Bank was in compliance with relevant laws and regulations and the requirements of the listing rules where it is listed, and disclosed the annual report of 2010, and the first quarterly report, the interim report and the third quarterly report of 2011.

## ***Independent Operation of the Bank***

The business, personnel, assets, entities and finance of the Bank are independent from its controlling shareholders. The Bank has sufficient and independent operating assets and self-operation ability. It is capable to operate its business in the market independently.

## **Board of Supervisors and Special Committees**

### ***Composition of the Board of Supervisors***

At the end of the reporting period, the Board of Supervisors comprised six Supervisors, where there were two supervisors representing shareholders, namely Mr. CHE Yingxin and Mr. PAN Xiaojiang, and four supervisors representing employees, namely Mr. WANG Yurui, Mr. JIA Xiangsen, Mr. YAN Chongwen and Mr. ZHENG Xin. The Chairman of the Board of Supervisors is Mr. CHE Yingxin. Details of the incumbent Supervisors are set out in the section headed “Directors, Supervisors and Senior Management” in this results announcement.

### ***Functions and Authorities and Operation of the Board of Supervisors***

Main functions and authorities of the Board of Supervisors shall include without limitation, to the following:

- supervising the performance of the Board of Directors and senior management, supervising and enquiring the due diligence of directors and senior management, and urging directors and senior management to rectify their behavior which cause detriment to the interest of the Bank;
- proposing to dismiss or initiate litigation against directors and senior management who are in violation of laws, administrative regulations and the Articles of Association or the resolutions of the General Meeting of Shareholders;
- carrying out departure audit of directors and senior management when necessary;
- supervising the financial activities, business decision, risk management and internal controls of the Bank, and providing guidance to the work of internal auditing department;

- checking financial information including the financial reports, business reports and profit distribution plans prepared by the Board of Directors for submission to the General Meeting of Shareholders, and appointing registered accountants or certified public auditors to review such information on behalf of the Bank if any problem is detected;
- supervising the implementation of strategic plans, policies and general management system for the development of the County Area Banking Business;
- submitting proposals to the General Meeting of Shareholders;
- nominating the supervisors representing shareholders, external supervisors and independent directors;
- formulating the amendments to by-laws of the Board of Supervisors; and
- other functions as required by laws, administrative regulations, the rules and the Articles of Association herein or as authorized by the General Meeting of Shareholders.

Discussions by the Board of Supervisors take the form of the meetings of the Board of Supervisors. The meetings of the Board of Supervisors consist of regular meetings and extraordinary meetings. Regular meetings of the Board of Supervisors shall be convened at least 4 times each year.

The Office under the Board of Supervisors is the division for carrying out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees and preparing documents and minutes of those meetings.

The Bank has established the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee under the Board of Supervisors.

#### Due Diligence Supervision Committee

At the end of the reporting period, the Due Diligence Supervision Committee comprised three supervisors<sup>1</sup>, namely Mr. CHE Yingxin, Mr. PAN Xiaojiang and Mr. YAN Chongwen. The Chairman of the Due Diligence Supervision Committee was Mr. CHE Yingxin.

The Due Diligence Supervision Committee shall conduct the tasks authorized by the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Due Diligence Supervision Committee are as follows:

- developing working plan and implementation plans regarding the supervision on the due diligence of the Board of Directors, the Senior Management, directors and members of the senior management, and implementing thereof after approving by the Board of Supervisors;

<sup>1</sup> On 16 January 2012, Mr. LIU Hong was elected as member of the Due Diligence Supervision Committee at the second meeting of the Board of Supervisors of the Bank for 2012.

- giving the view on supervising the due diligence of the Board of Directors, the Senior Management, directors and members of the senior management, and making suggestions to the Board of Supervisors;
- developing plans for audit on the departure of directors and senior management when necessary, and organizing the implementation thereof after approving by the Board of Supervisors;
- making recommendations to the Board of Supervisors on the candidates for supervisor representing shareholders, external supervisors, independent directors, members of the special committees under the Board of Supervisors;
- drafting methods to assess supervisors, organizing performance assessment of supervisors and making suggestions to the Board of Supervisors;
- studying and handling issues or documents reported or provided by the Board of Directors, the Senior Management, directors and senior management; and
- other matters authorized by the Board of Supervisors.

#### Finance and Internal Control Supervision Committee

At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised four supervisors, namely, Mr. CHE Yingxin, Mr. JIA Xiangsen, Mr. WANG Yurui and Mr. ZHENG Xin. The Chairman of the Finance and Internal Control Supervision Committee was Mr. CHE Yingxin.

The Finance and Internal Control Supervision Committee shall conduct the tasks authorized by the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows:

- developing working plans and implementation plans regarding the supervision on the finance and internal control of the Board of Supervisors, and organizing the implementation thereof after approving by the Board of Supervisors;
- supervising the implementation of planning, policies and general management systems for the County Area Banking Business development strategy, assessing the implementation results, and making suggestions to the Board of Supervisors;
- checking the financial reports and business reports of the Bank and the profit distribution plan formulated by the Board of Directors, and making suggestions to the Board of Supervisors;

- drafting plans for supervising and inspecting financial activities, operating decisions, risk management and internal control of the Bank by the Board of Supervisors, and organizing the implementation thereof after approving by the Board of Supervisors; and making suggestions to the Board of Supervisors on engaging an external auditor for auditing the Bank’s financial position if necessary;
- guiding the work of internal auditing department of the Bank;
- studying and handling issues or documents reported or provided by the Board of Directors, the Senior Management, directors and senior management personnel; and
- other matters authorized by the Board of Supervisors.

Daily work of special committees is undertaken by the Supervisors’ Office.

For details of the Board of Supervisors and its special committees, please refer to “Report of the Board of Supervisors — Meeting of the Board of Supervisors and its Special Committees”.

### **Chairman and President of the Bank**

According to the requirements of Rule A.2.1 of the Code on Corporate Governance Practices in Appendix 14 of the Hong Kong Listing Rules and the Bank’s Articles of Association, the Chairman and President of the Bank shall be separately appointed. The Chairman shall not be held concurrently by the legal representative of the controlling shareholder or the person-in-charge.

The Chairman of the Bank is the legal representative of the Bank, and is responsible for material matters such as business strategies and overall development of the Bank. On 28 October 2011, Mr. XIANG Junbo tendered his resignation as the Chairman due to the requirements of financial work for the State. On 16 January 2012, the Board of Directors elected Mr. JIANG Chaoliang as the Chairman of Bank whose qualification was approved by the CBRC on the same day.

Mr. ZHANG Yun serves as the Vice Chairman and the President of the Bank and is responsible for the daily management of business operation of the Bank. The President shall be appointed by, and is accountable to, the Board of Directors, and performs duties in accordance with the Articles of Association and authorization of the Board of Directors.

The roles of chairman and president shall be separate and independent, with clear division of responsibilities.

### **Securities Transactions by Directors and Supervisors**

The Bank has adopted a code of conduct for securities transactions by directors and supervisors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirm that they have complied with such code of conduct throughout the year ended 31 December 2011.

## **Term of Directors**

The Bank strictly complies with the requirements of the Hong Kong Listing Rules and its Articles of Association that the directors shall be elected in the General Meeting of Shareholders with a term of three years commencing from the date of approval by the CBRC. A director may serve consecutive terms if re-elected upon the expiration of his/her term, and the consecutive term shall be commenced from the date of approval by the General Meeting of Shareholders.

## **Senior Management**

The Senior Management is the executive body of the Bank, which shall be accountable to the Board of Directors and is supervised by the Board of Supervisors. The powers of the Senior Management and the Board of Directors are in strict compliance with the Articles of Association of the Bank and other governance regulations.

According to the Articles of Association of the Bank, the President is entitled to exercise the following powers:

- taking charge of the Bank's operations management, and organizing the implementation of the resolutions of the Board of Directors;
- conducting or authorizing the vice presidents or other senior management members and principal officers of internal functional departments, tier-one domestic and overseas branches, branches and institutions directly managed by the head office of the Bank and any overseas entities of the Bank to conduct the daily operations and management of the Bank within the scope authorized by the Board of Directors;
- formulating the specific rules of the Bank (other than internal auditing rules);
- drafting the Bank's business and investment plans to the Board of Directors and implementing such plans upon approval by the Board of Directors;
- drafting policies and fundamental management regulations of the Bank, and making recommendations to the Board of Directors;
- drafting plans of annual budget and accounts, risk-based capital allotment, profit distribution and loss appropriation, increase or decrease of registered capital, bond or other securities issuance, or listing, and repurchase of shares, and making recommendations to the Board of Directors;
- deciding the establishment of internal functional departments, tier-one domestic and overseas branches, other branches and institutions directly managed by the head office of the Bank and any overseas entities of the Bank, and making recommendations to the Board of Directors;
- proposing the appointment or dismissal of the vice presidents and other senior management members (except secretary of the Board of Directors);

- appointing or dismissing the principal officers of internal functional departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branches;
- deciding the compensation and performance appraisal of the principal officers of internal departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branch offices, and conducting compensation review and performance evaluation;
- deciding the salary, welfare, incentive and penalty of staff of the Bank, and deciding or authorizing the subordinate management personnel to appoint or dismiss staff of the Bank;
- upon the happening of material event in connection with business operations such as a run on the Bank, taking emergency measures, and reporting immediately to the government regulatory agent of banking industry under the State Council, the Board of Directors and the Board of Supervisors; and
- exercising other powers conferred by the relevant laws, administrative regulations, departmental rules, and the Articles of Association of the Bank and the authorities resolved to be exercised by the president pursuant to the General Meeting of Shareholders and the Board of Directors.

During the reporting period, the Bank reviewed the implementation of the *Scheme of Authorization to the President by the Board of Directors* President by the Board of Directors, and no approval was conducted beyond the President's authority.

### **Auditor's Remuneration**

The *Proposal on the Engagement of Accounting Firm for 2011* was passed at the Annual General Meeting of the Bank for 2010, pursuant to which the Bank continued to engage Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the accounting firms of the Bank for 2011. Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu were the domestic and international accounting firms of the Bank for 2011, respectively. The Bank has engaged the above accounting firms to provide audit services for two consecutive years since its initial public offering.

In 2011, a total fee of RMB131 million was paid to Deloitte and its members, including professional auditing service fee of RMB130 million and non-auditing service fee of RMB1.09 million.

### **Internal Control**

The Board of Directors of the Bank is responsible for establishing and implementing a comprehensive internal control system in an effective manner. The Board of Supervisors is responsible for the supervision of the establishment and implementation of internal controls by the Board of Directors and Senior Management. Senior Management is responsible for the daily operations of the Bank's internal controls. The Board of Directors has established the Audit Committee, the Risk Management Committee and the Related Party Transactions Management

Committee to fulfil the duties of internal control management and evaluate the efficiency of internal control. Each of the Head Office, tier-one branches and tier-two branches of the Bank has set up an internal control and compliance department which is responsible for the implementation and daily operations of internal control. We have established an independent and vertical internal audit system, under which an Audit Office has been set up at the Head Office and regional offices have been established at branches which are responsible for supervising and inspecting the effectiveness of internal controls of the Bank. The Audit Office has the right to report directly to the Board of Directors, its Audit Committee as well as the Board of Supervisors regarding material defects discovered during the process of supervision and inspection.

During the reporting period, the Bank focussed highly on internal control. We conscientiously carried out corporate internal control activities according to the “Basic Rules on Enterprise Internal Control” and its complementary guidelines, provided guidances to all levels to streamline and adjust related systems, amended the *Administrative Measures for the Authorization by the President*, strictly managed the authorization and strengthened the control of power re-delegation. We implemented the *Administrative Measures on Due Diligence and Supervision* to clarify and standardize the “three lines of defence” of internal control. We formulated the *Detailed Implementation Measures on the Management of Related Party Transactions* and improved the management mechanism of related party transactions. We strengthened the adjustment and amendment mechanism and actively introduced the overall quality management. We engaged agencies to evaluate the internal control system of Head Office and overseas branches, in order to optimize the evaluation standards, measures and policies of internal control. We carried out bank-wide inspection on internal control and swindle prevention and control, promoted management on staff’s behaviors, actively utilized off-site monitoring, increased the intensity of inspection and supervision and continued to reinforce the mechanism of supervision and inspection. We took steps to establish the information system for internal control and compliance management. The policies of contact persons and regular information exchange meetings on internal control and compliance management were formulated at Head Office to explore channels for information exchange. We promoted the compliance culture and continued to prepare the compliance handbook.

The Bank established a strict internal control system for financial statements based on the “Basic Rules on Enterprise Internal Control” promulgated by five departments namely the MOF, the CSRC, the NAO, the CBRC and the CIRC in 2007. The Board of Directors of the Bank has evaluated the internal control of the financial statements for the year and has not discovered any material defects in internal control of financial statements in terms of designing and implementation.

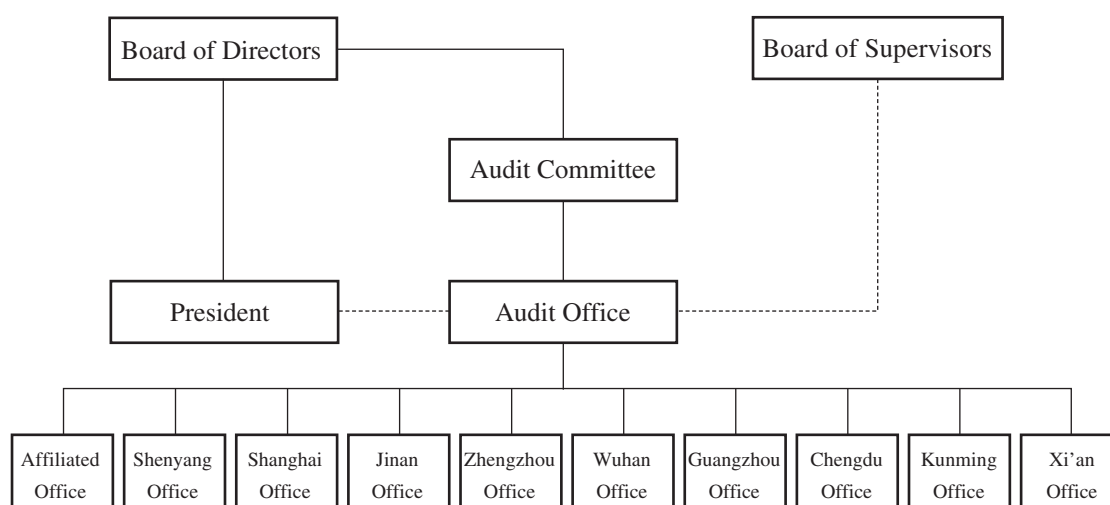
The Bank formulated and implemented the *Administrative Measures on Accountabilities for Material Errors in Annual Report Information Disclosure* which specified the accountability system in relation to the material errors occurred in the information disclosed in the annual reports, in order to enhance the quality and transparency of information disclosed in annual reports. During the reporting period, no rectification was required for any material accounting errors, no material omission was found and no amendment was required for any estimated results announcement.



## Internal Audit

We have established an independent and vertical internal audit system. The internal audit department performs audits on operations and management, business activities and operational performance of the Bank and shall be accountable and report to the Board of Directors. The audits shall follow the guidelines of the Board of Supervisors and are subject to the examination, supervision and evaluation by the Audit Committee under the Board of Directors. The internal audit department consists of the Audit Office at the Head Office and ten regional offices. The Audit Office is responsible for the organization, management and reporting of bank-wide internal audit works. The regional offices under the Audit Office perform internal audit for their respective branches and shall be accountable and report to the Audit Office.

The chart below shows the organizational structure of internal audit system:



In 2011, the Bank strived to implement risk-oriented audit model and focused on adjustment and amendment of audit process. We continued to improve audit policies system and further standardized audit behavior. We also strengthened the management of regional audit offices and reinforced the foundation, organization and team building of audit offices.

During the reporting period, the Bank focused on business strategies of the Board of Directors and commenced over ten specific audit works which covered the businesses regarding loans to government financing vehicles, real estate loans and electronic banking, etc. We re-audited certain branches which were subject to our centralized auditing in previous years. We audited foreign branches as scheduled. Due diligence assessment of senior management members was carried out. We also carried out follow-up audit on the key audit projects of last year. Audit works facilitated the effective implementation of strategic decisions of the Bank, the improvement of basics of management and the sound development of all business operations.

## **Disclosure of Information and Investor Relations**

### ***Disclosure of Information***

The Bank strictly complied with the regulatory requirements of the PRC and Hong Kong in relation to information disclosure and fulfilled our information disclosure obligations diligently and faithfully by disclosing information in a truthful, accurate and complete manners to effectively satisfy the information needs of investors and other stakeholders. During the reporting period, the Bank disclosed over 230 documents on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, including different types of periodic reports, temporary reports, corporate governance documents and circulars to shareholders. Moreover, the Bank continued to increase voluntary disclosure in response to market concern in order to further sustained enhancement of the coverage and quality of information disclosure.

The Bank continued to develop its information disclosure system and established a complete information disclosure system which fulfils the requirements of the securities and banking regulations. We made efforts in implementing measures on information disclosure system and further enhanced awareness of the need or requirement for standardized disclosure, in order to ensure the performance of information disclosure obligations from the various layers and related personnel within the corporate governance structure. We further improved the information disclosure mechanism, regulated the preparation and disclosure procedures for disclosable documents, in order to enhance the quality of information disclosure in terms of standardisation, institutionalization and streamlinization. We reinforced the review on the compliance of information disclosure and conducted self-assessments for insider dealings and registered and filed details of persons with insider information so as to actively maintain fair information disclosure.

### ***Investor Relations***

In 2011, the Bank formulated and implemented the *Investor Relations Management Procedure* to further specify the principles, objectives, contents and procedures of investor relations management, and actively communicated with investors through various means, such as general meeting of shareholders, results presentations, road-shows, reverse , interviews, capital markets conferences, the Bank's website, by telephone and emails. We held the 2010 annual results as well as the 2011 interim results presentations and road-shows, successively, and published the relevant results announcements in the designated newspapers and websites for shareholders' viewing.

In 2012, the Bank will further strengthen its communication with investors so as to enhance their understanding and endorsement of the Bank and meanwhile, the Bank hopes to receive greater support and attention from investors.

### ***Investors Enquiry***

For any enquiries, please contact us by:

Telephone: 86-10-85109619  
Facsimile: 86-10-85108557  
E-mail: [ir@abchina.com](mailto:ir@abchina.com)

## General Meeting of Shareholders

During the reporting period, we held one extraordinary general meeting and one annual general meeting, at which 14 resolutions were considered and approved and two reports were reviewed. The relevant details are set out as follows:

On 2 March 2011, we held our first Extraordinary General Meeting for 2011, at which six resolutions in relation to matters including amendments to the *Rules of Procedures of Shareholders' General Meeting of Agricultural Bank of China Limited*, amendments to the *Rules of Procedures of the Board of Directors of Agricultural Bank of China Limited*, amendments to the *Rules of Procedures of the Board of Supervisors of Agricultural Bank of China Limited*, appointments of Independent Non-executive Directors, the authorization to the Board of Directors to deal with matters regarding the purchase of liability insurance for Directors, Supervisors and Senior Management, and the issuance of subordinated bonds, were considered and approved. The announcement on the poll results of the first Extraordinary General Meeting was published on the website of the Hong Kong Stock Exchange on 2 March 2011, and in our designated press for information disclosure and on the website of the Shanghai Stock Exchange on 3 March 2011.

On 8 June 2011, we held our Annual General Meeting for 2010, at which eight resolutions in relation to matters including the report of the Board of Directors for 2010, the report of the Board of Supervisors for 2010, the final financial accounts for 2010, the profit distribution plan for the second half of 2010, the fixed assets investment budget for 2011, the appointments of auditors for 2011, the appointments of Non-executive Director and the final emoluments plan for Directors and Supervisors, were considered and approved. In addition, the work report of Independent Non-executive Directors for 2010 and the report on the implementation of the Plan on the Authorization of Shareholders' General Meeting to the Board of Directors for 2010 were reviewed. The announcement on the poll results of the Annual General Meeting was published on the website of the Hong Kong Stock Exchange on 8 June 2011, and in our designated press for information disclosure and the website of the Shanghai Stock Exchange on 9 June 2011.

# Report of the Board of Directors

## Principal Business

The principal business of the Bank and its subsidiaries is banking and related financial services. The Bank's business operation is set out in the section headed "Discussion and Analysis — Business Review" in this results announcement.

## Profits and Dividends Distribution

The Bank's profits for the year ended 31 December 2011 are set out in the section headed "Discussion and Analysis — Financial Statements Analysis" in this results announcement.

Upon the approval of the Annual General Meeting held on 8 June 2011, the Bank distributed cash dividend of RMB0.54 (tax included) per ten shares, amounting to RMB17.539 billion (tax included), for the period from 1 July 2010 to 31 December 2010 to shareholders of A shares and H shares on our register of members at the close of business on 16 June 2011.

The Board of Directors of the Bank proposed the distribution of cash dividend of RMB1.315 per ten shares (tax included) for 2011 for a total of RMB42,710 million (tax included). The dividend distribution plan is subject to the approval of shareholders at the Annual General Meeting for 2011. Upon the approval of the Annual General Meeting for 2011, the dividend will be paid to holders of A shares and H shares with whose names appeared on the registers of members of the Bank at the close of business on 19 June 2012. The H Share Registrar of the Bank will be closed from 14 June 2012 to 19 June 2012 (both days inclusive), and no transfer of H shares will be registered during such period. To qualify for the entitlement to the proposed cash dividend distribution, holders of H shares of the Bank must lodge the transfer documents and the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 13 June 2012.

The table below sets out the Bank's cash dividend payment for the preceding three years.

	<i>In millions of RMB, except percentages</i>		
	<b>2010<sup>2</sup></b>	2009	2008
<b>Cash dividend (tax included)</b>	<b>49,616</b>	20,000	—
<b>Cash dividend payment ratio<sup>1</sup> (%)</b>	<b>52.3</b>	30.8	—

- Notes: 1. Cash dividend (tax included) is divided by the net profits of the reporting period attributable to equity holders of the Bank.  
2. Including special dividends and cash dividends declared for the second half of 2010.

Pursuant to the “Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 45” (Guo Shui Han [2011] No. 348) The resident individuals outside the PRC who are the shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong enjoy preferential tax rate in accordance with the tax conventions between Mainland China and the country where the residents reside, and the tax arrangements between the Mainland China and Hong Kong (Macau). Resident individuals outside the PRC shall personally or through an agent authorised in writing to apply for and fulfil the relevant formalities to enjoy relevant preferential tax treatment. Since the tax rate for such dividend is generally 10% as required by relevant tax regulation and arrangements, and there is a large number of shareholders, to simplify the collection of tax, the individual shareholders will be generally subject to a withholding tax rate of 10% without making any application when domestic non-foreign invested enterprise which issue shares in Hong Kong distribute dividends to their shareholders. For situations where the tax rate for dividend is not 10%, it shall be subject to the following requirements: (1) if an individual who received a dividend is a resident of a country where the tax rate for the dividend is lower than 10%, the withholding agent can apply for relevant preferential treatment according to the “Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)” (Guo Shui Fa [2009] No.124), and upon the approval of the competent tax authority, overpaid taxes will be returned; (2) if an individual who received a dividend is a resident of a country where the tax rate for dividend is between 10% to 20%, the withholding agent shall withhold the individual’s income tax at the agreed tax rate when distributing dividends, and no application should be submitted; (3) if an individual who received a dividend is a resident of a country which has not entered into any tax treaty with the PRC or otherwise, the withholding agent shall be subject to a withholding tax rate of 20% which shall be applied when distributing the dividend.

Pursuant to the “Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises” (Guo Shui Han [2008] No.897) of the State Administration of Taxation, the Bank is obliged to withhold and pay enterprise income tax at the rate of 10% from dividend paid or payable for H shares when distributing dividend to non-resident enterprise shareholders of H shares.

No tax is payable in Hong Kong in respect of dividends paid by the Bank according to the current practice of the Hong Kong Inland Revenue Department.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares of the Bank.

### **Implementation of the Cash Dividend Policy**

The formulation and implementation of the Bank’s cash dividend policy complies with its Articles of Association and the resolutions of the shareholders’ general meeting. The relevant decision making procedure and system are complete, and independent directors have served their obligations. The legitimate interests of small and medium shareholders have been fully protected. During the reporting period, the Bank’s cash dividend policy remained the same.

## **Reserves**

The details of the changes of reserves for the year ended 31 December 2011 are set out in “Consolidated Statement of Changes in Equity” in the Financial Statements.

## **Financial Summary**

The summary of operating results, assets and liabilities for the five years ended 31 December 2011 is set out in the section headed “Financial Highlights” in this results announcement.

## **Donations**

During the year ended 31 December 2011, the Bank made external donations (domestically) of RMB25.72 million.

## **Fixed Assets**

The changes in fixed assets for the year ended 31 December 2011 are set out in “Note 29 to the Financial Statements: Property and Equipment” in this results announcement.

## **Subsidiaries**

Particulars of the Bank’s principal subsidiaries as of 31 December 2011 are set out in the section headed “Discussion and Analysis — Business Review” in this results announcement.

## **Share Capital and Public Float**

As of 31 December 2011, the Bank’s share capital amounted to 324,794,117,000 shares, including 294,055,293,904 A shares and 30,738,823,096 H shares. The Bank maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank’s listing.

## **Purchase, Sale or Redemption of the Bank’s Shares**

During the year ended 31 December 2011, the Bank and any of its subsidiaries did not purchase, sell or redeem any of its listed shares.

## **The Issue of Shares and Debt Securities**

Please refer to the section headed “Changes in Share Capital and Shareholdings of Substantial Shareholders — Details of Issuance and Listing of Securities” in this results announcement.

## **Pre-emptive Rights**

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association of the Bank. According to the Articles of Association, the Bank is entitled to increase its registered capital by issuing shares to non-specific or specific investors, allotting new shares to existing

shareholders, transferring capital reserve funds to increase share capital and other methods as permitted by laws, administrative regulations and relevant authorities.

### **Major Customers**

For the year ended 31 December 2011, the five largest customers accounted for less than 30% of the interest income and other operating income of the Bank.

### **Use of Proceeds**

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

### **Major Projects Invested by Non-raised Funds**

For the year ended 31 December 2011, the Bank has no significant projects invested by non-raised funds.

### **Directors' and Supervisors' Interests in Material Contracts**

For the year ended 31 December 2011, none of the Bank's directors or supervisors had any material interests, whether directly or indirectly, in any material contracts regarding its business to which the Bank or any of its subsidiaries was a party. None of its directors or supervisors has entered into any service contract with the Bank, pursuant to which the Bank needs to pay compensation (other than statutory compensation) for terminating the contract within one year.

### **Directors' Interests in Competing Businesses**

None of the directors held any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

### **Directors' and Supervisors' Rights to Acquire Shares or Debentures**

For the year ended 31 December 2011, the Bank did not grant any rights to acquire shares or debentures to any of its directors or supervisors, nor were any of such rights exercised by any of the directors or supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the directors or supervisors to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

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

As of 31 December 2011, except for Mr. ZHENG Xin, Supervisor who held 500,000 A Shares of the Bank, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the Securities and Futures Ordinance

of Hong Kong), or which were required to be recorded in the register referred to in Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank or other persons, please refer to the section headed “Changes in Share Capital and Shareholdings of Substantial Shareholders” in this results announcement.

## **Related Party Transactions**

In 2011, the Bank continued to enhance the management of related party transactions. Meetings of the Related Party Transactions Management Committee of the Board of Directors were convened to review related party transactions in 2010. The *Implementation Measures on the Management of Related Party Transactions* was formulated to specify the requirements on the management of related party transactions. The Bank launched the information system for the management of related party transactions to enhance the management of related party transactions by using information technology. The Bank increased training on the management of related party transactions to improve the standard of related party transaction management. During the reporting period, the related party transactions of the Bank were conducted in accordance with relevant laws and regulations.

### ***Continuing Connected Transactions Defined under the Hong Kong Listing Rules***

#### **Deposits placed by Connected Persons with the Bank**

The Bank provided commercial banking services and products to customers in the ordinary and usual course of its business. Such services and products include deposit-takings. Connected persons of the Bank under the Hong Kong Listing Rules may have placed or will continue to place deposits in the Bank. According to the Hong Kong Listing Rules, accepting deposits from connected persons constitutes continuing connected transactions of the Bank.

As the deposits placed by the Bank’s connected persons are on normal commercial terms in the ordinary and usual course of business of the Bank, and no security has been made over the assets of the Bank, such deposit-takings are regarded as exempted continuing connected transactions for the purpose of Rule 14A.65(4) of the Hong Kong Listing Rules, and are exempted from the reporting, announcement and independent shareholders’ approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

#### **Loans and Credit Facilities Extended by the Bank to Connected Persons**

The Bank extends loans and credit facilities (including the provision of long-term loans, short-term loans, consumer loans, credit card overdrafts, mortgages, guarantees, guarantees of third-party loans, comfort letters and bill discounting facilities) to its customers in the ordinary and usual course of its business and on normal commercial terms with reference to prevailing market rates. Customers who utilize the above banking products and services may include connected persons of the Bank under the Hong Kong Listing Rules. Therefore, such loans and credit facilities constitutes continuing connected transactions of the Bank according to the Hong Kong Listing Rules.



As the provisions of loans and credit facilities are on normal commercial terms and in the ordinary and usual course of the Bank's business, they are regarded as exempted continuing connected transactions under Rule 14A.65(1) of the Hong Kong Listing Rules and are exempted from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

#### Transactions with Crèdit Agricole Corporate and Investment Bank ("CA-CIB")

Amundi Asset Management is a substantial shareholder of ABC-CA Fund Management Co., Ltd., a non-wholly owned subsidiary of the Bank, and CA-CIB is a subsidiary of Crèdit Agricole S.A., the holding company of Amundi Asset Management. According to the Hong Kong Listing Rules, CA-CIB is an associate of Amundi Asset Management and a connected person of the Bank.

During the reporting period, the Bank has regularly engaged in various transactions (both one-off transactions and continuing transactions) with CA-CIB on normal commercial terms in the ordinary and usual course of the business of the Bank.

The total assets, profits and revenue of ABC-CA Fund in each of the accounting years since its establishment on 18 March 2008 accounts for less than 10% of the total assets, profits and revenue of the Group, respectively. Therefore, the connected transactions between the Bank and CA-CIB will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.31(9) and 14A.33(4) of the Hong Kong Listing Rules.

For the related party transactions defined under the laws and regulations of China, please refer to "Note 47 to the Financial Statements: Related Party Transactions".

#### **Responsibility Statement of Board of Directors in Respect of Internal Control**

The Board of Directors of the Bank is responsible for the sound establishment and effective implementation of its internal control system.

#### **Working and Implementation Plans for the Development of Comprehensive Internal Control System**

In 2012, the Bank will establish an internal control system based on the Basic Rules on Enterprise Internal Control and implementation guidelines in accordance with the new requirements issued by the relevant regulatory authorities and the strategic targets for internal control of the Bank. The Bank adopts and will continue to adopt the following measures, to further improve the internal control system:

The Bank will continue to implement the Basic Rules and implementation guidelines throughout the Bank. We carry out key projects in the course of the campaign of "Year for Further Improvement of the Basics of Management" to effectively enhance the basics of management of the Bank. We will continue to establish the compliance culture and strive to organize activities on publicity and education of general laws, to raise the legal compliance awareness of all staff. We will strengthen the detailed and dynamic authorization management and implement differentiated authorization policies. We will form a unique and comprehensive evaluation system to realize a full coverage

of internal control and evaluation, and further improve evaluation methods and indicator system of the internal control. We will focus on due diligence supervision to fulfill internal control duties in functional departments across all levels. We will amend the *Administrative Measures on Adjustments and Improvement* to enhance the adjustments and amendments and introduce comprehensive quality management. We will implement a systematic annual coordination mechanism to further strengthen systematic efficiency of dynamic management and improve the regulation system of the Bank. We will promote standardization, automation and intelligence of internal control by fully utilizing the information technology. We will also engage external auditors to provide opinions on the integrity and effectiveness of our internal control.

### **Remuneration of Directors, Supervisors and Senior Management**

Please refer to the section headed “Directors, Supervisors and Senior Management — Annual Remuneration” in this results announcement for details.

### **Financial, Business and Family Relationship among Directors**

Directors of the Bank had no relationship with each other in respect of finance, business, family or other material relationship.

### **Particulars of Directors, Supervisors and Senior Management of the Bank**

The particulars of the Directors, Supervisors and Senior Management of the Bank are set out in the section headed “Directors, Supervisors and Senior Management” in this results announcement.

### **Employee Benefit Plans**

For details of employee benefit plans of the Bank, please refer to “Note 39 to the Financial Statements: Other Liabilities — Staff Costs Payable” in this results announcement.

### **Management Contracts**

Except the service contracts of its management personnel, the Bank has not entered into any contract with any person, company or legal entity to manage or handle the whole or any material part of its businesses.

### **Auditors**

The 2011 Financial Statements of the Bank prepared in accordance with PRC GAAP and IFRSs were audited by Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu according to China Standards on Auditing and International Standards on Auditing, respectively. Standard and unmodified auditor’s reports were issued by them.

### **Implementation of Management System of Insider Information**

During the reporting period, the Bank strictly followed supervisory regulations to strengthen the management of insider information and control the risk of insider dealing. In accordance with

the requirements of regulators, the Bank timely amended the *Administrative Measures for Insider Information and Insiders* and further regulated the registration and filing of information on insiders and conducted self-assessment for insider dealings. After self-assessment, no insider dealing of the Bank's shares was identified.

### **Environment and Community Safety**

During the reporting period, the Bank did not encounter any material issues in relation to the environment or community safety.

By Order of the Board of Directors  
**JIANG Chaoliang**  
*Chairman*

22 March 2012

# Report of the Board of Supervisors

## Meetings of the Board of Supervisors and its Special Committees

### *Meetings of the Board of Supervisors*

During the reporting period, the Board of Supervisors held nine meetings to consider and approve 20 resolutions, including the resolutions in relation to the 2010 annual report, profit distribution plan and Corporate Social Responsibility Report for 2010, and to review 27 specific working reports.

### Meetings of the Board of Supervisors

The table below sets forth the attendance of the meetings of the Board of Supervisors:

<b>Members of the Board of Supervisors</b>	<b>Number of meetings attended/ meetings requiring attendance</b>	<b>Attendance (%)</b>
<b>Incumbent Supervisors</b>		
CHE Yingxin	9/9	100%
JIA Xiangsen	9/9	100%
WANG Yurui	9/9	100%
YAN Chongwen	5/5	100%
ZHENG Xin	5/5	100%
<b>Resigned Supervisors</b>		
PAN Xiaojiang	9/9	100%
WANG Xingchun	4/4	100%

*Note:* Number of meetings attended includes number of meetings attended in person and by proxy.

## *Meetings of the Special Committees of the Board of Supervisors*

### Meetings of the Due Diligence Supervision Committee

During the reporting period, the Due Diligence Supervision Committee held six meetings to consider and approve nine resolutions, including the resolutions in relation to the performance appraisal reports of the Board of Directors and Senior Management and the implementation rules of performance appraisal of directors etc..

The table below sets forth the attendance of the meetings of the Due Diligence Supervision Committee.

<b>Members of the Due Diligence Supervision Committee</b>	<b>Number of meetings attended/ meetings requiring attendance</b>	<b>Attendance (%)</b>
<b>Incumbent Supervisors</b>		
CHE Yingxin	6/6	100%
YAN Chongwen	1/1	100%
<b>Resigned Supervisors</b>		
PAN Xiaojiang	6/6	100%
WANG Xingchun	5/5	100%

### Meetings of Finance and Internal Control Supervision Committee

During the reporting period, the Finance and Internal Control Supervision Committee held eight meetings to consider and approve 21 resolutions, including the resolutions in relation to the 2010 annual report and proposed profit distribution.

The table below sets forth the attendance of the meetings of the Finance and Internal Control Supervision Committee.

<b>Members of the Finance and Internal Control Supervision Committee</b>	<b>Number of meetings attended/ meetings requiring attendance</b>	<b>Attendance (%)</b>
CHE Yingxin	8/8	100%
JIA Xiangsen	8/8	100%
WANG Yurui	8/8	100%
ZHENG Xin	2/2	100%

## Activities of the Board of Supervisors

During the reporting period, the Board of Supervisors performed its duties earnestly and initiated new methods of supervision to further improve the effectiveness and efficiency of supervision. It supervised the performance of the Bank in respect of financial activities, decision-making processes in relation to operation, risk management and internal control, and the due diligence of the Board of Directors, Senior Management and their members, in accordance with the laws, regulations and the Articles of Association of the Bank. These facilitated the improvement of corporate governance, strengthened basics of management and maintained the stable operation of the Bank.

**Conducted due diligence supervision in order to strengthen the development of the Board of Directors, the Board of Supervisors and Senior Management.** The Board of Supervisors formulated the *Implementation Rules of Due Diligence Appraisal of Directors of Agricultural Bank of China Limited (Provisional)* to improve the due diligence supervision system. It conducted the due diligence appraisal to the Board of Supervisors and its members so as to establish a comprehensive due diligence appraisal system for the Board of Directors, Board of Supervisors and Senior Management. The Board of Supervisors supervised the due diligence of duties and responsibilities of Directors, Supervisors and Senior Management and their members by having a routine monitoring and regular reporting system, collecting information and conducting questionnaire in relation to the due diligence of their duties and responsibilities. The Board of Supervisors conducted due diligence evaluation and provided recommendations based on the appraisal results.

**Continued to supervise and provide independent and objective opinions on financial activities.** The Board of Supervisors highly emphasized on the legal compliance of financial activities as well as the authenticity, accuracy and completeness of the financial reports. It enhanced its communication with external auditors and provided independent opinions on the Bank's periodical financial reports based on the analysis of the supervision and monitoring on the quarterly financials. It focused on the supervision of fixed assets management, consolidated management and capital management of the Bank, and provided its opinions and recommendations to the Senior Management.

**Further conducted supervision of internal control and risk management, so as to strengthen the internal supervision of the Bank.** In compliance with the "Basic Standards for Enterprise Internal Control" and its relevant guidelines jointly promulgated by five authorities including the Ministry of Finance, the Board of Supervisors conducted comprehensive analysis and supervision review on the establishment and implementation of internal control by the Board of Directors and Senior Management, and carried out the first independent reassessment of internal controls of the Bank. The Board of Supervisors held contact meetings regarding supervisory work to review report prepared by relevant departments on special copies, discuss measures in relation to enhancing improvement and prevention work, provide applicable recommendations, so as to strengthen the internal control and risk management of the Bank.

**Placed emphasis on the supervision of the County Area Banking Business and supervised the implementation of organizational reforms of the County Area Banking Division.** The Board of Supervisors set up an annual assessment system for the County Area Banking Business and promoted the reforms of the County Area Banking Business throughout the whole Bank. It strengthened the regular monitoring of the key aspects of the County Area Banking Business. Advices and proposals were made for the reforms and development of the County Area Banking Business based on the analysis of the achievement of relevant financial indicators and regulatory requirements.

**Highlighted the supervision focus and pushed forward the implementation of supervisory opinions.** During the reporting period, the Board of Supervisors placed more emphasis on the specific supervision and provided 10 recommendations on the supervision of financial management, consolidated management, capital management, swindle prevention and control; strengthening basics of management, customer development, staff management, information technology, post-disbursement management; and adjustment and improvements, based on the actual condition of the Bank. The Board of Supervisors urged the improvement of business operation and basics of management through the whole Bank by preparing various advice, opinions and analysis reports on supervision. By notifying to the Senior Management and following up with implementation, the Board of Supervisors monitored the improvement of business operation and enhancement of basics of management.

## **Independent Opinions of the Board of Supervisors on Relevant Issues**

### ***Legal Compliance of Operation***

During the reporting period, the Bank operated its business strictly in compliance with applicable laws and regulations. The Bank further improved its internal control system. Our decision-making procedures were in compliance with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and Senior Management earnestly performed their duties. The Board of Supervisors did not find any violation of laws and regulations, or any act that contravened the interests of the Bank in the performance of their duties.

### ***Authenticity of Financial Statements***

The annual financial statements of the Bank truly and fairly reflected the financial position and operating results of the Bank.

### ***Use of Proceeds***

During the reporting period, the proceeds raised from the global offerings were used in accordance with the disclosure in the prospectus.

### ***Purchase and Disposal of Assets***

During the reporting period, the Board of Supervisors did not find any insider trading or any act that contravened shareholders' interests or caused any loss of the Bank's assets in the purchase or disposal of assets by the Bank.

### ***Related Party Transactions***

During the reporting period, the related party transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any act that infringed upon the interests of the Bank. The approval, voting processes, disclosure and execution of the related party transactions were in compliance with applicable laws and regulations and the Articles of Association of the Bank.

### ***Management of Information Disclosure***

During the reporting period, the Bank strictly complied with the relevant requirements to disclose the necessary information and properly managed the information disclosure system in accordance with the regulatory requirements. Information disclosed during the year was true, accurate and complete.

### ***Review of 2011 Internal Control and Assessment Report***

The Board of Supervisors has no objection to the *2011 Internal Control and Assessment Report* of the Bank.

By Order of the Board of Supervisors  
**CHE Yingxin**  
*Chairman of the Board of Supervisors*

22 March 2012



## **Corporate Social Responsibility**

We celebrated our 60th anniversary in 2011. Over these 60 years, we have fulfilled our historical mission and responsibilities as a large bank with both diligence and integrity, and have made significant contributions to the development of the banking business in rural areas and the modern banking system. While serving the economic and social development of urban and rural areas, we have undergone rapid development and become a large public listed bank with business coverage in both urban and rural areas across China and the different parts of the world.

In 2011, we continued to place strong emphasis on our corporate responsibilities within society and to maintain harmony with all of our stakeholders.

### **Serving Sannong and Supporting Real Economy**

We further enhanced the financial services we offer to Sannong. We increased the resources allocated to key aspects in Sannong, expanded the coverage of financial services to rural households and improved the banking service channels and payment environment in rural areas. We have adopted innovative technologies and promoted the “Cun Cun Tong” financial service in 22 provinces, providing rural residents with easy access to consume with credit cards and get banking services such as withdrawals and transfers. We also offered greater support to leading enterprises involved in national and provincial agricultural industrialization in accordance to “Project Dragon”. At the end of 2011, we had issued 98.22 million Huinong Cards and our agency coverage in rural pension insurance and rural cooperative medical insurance extended to cover a total of 1,205 counties, benefiting over 300 million farmers in China. Small loans to rural households amounted to RMB107.8 billion, providing nearly 100 million rural residents with direct access to credit facilities.

We have supported the development of small enterprises. We actively implemented the policies and measures issued by the State Council in relation to the provision of financial support for the development of small and micro enterprises, we provided professional financial services systems and established a differentiated operational model for small- and medium-sized enterprises. We launched financial products such as “Easy Loan”, “Self-Service Revolving Credit Facilities” and “Factory Loan”, and effectively addressed financing difficulties small enterprises face in raising funds. In 2011, we were awarded as the “Outstanding Services Institution for Small and Medium Enterprises in 2011”. At the end of 2011, loans to small and micro enterprises had increased by RMB114,138 million from the end of the previous year, to RMB575,219 million and the total number of small and micro enterprise customers reached 45,265.

We have enhanced the banking services related to the population’s livelihood. We supported the development of culture, education, and health and hygiene. We also increased our support for welfare housing and improved our banking services that directly relate to population’s livelihood. At the end of 2011, we had entered into comprehensive cooperation agreements with cultural departments of 15 provinces, whilst the loans for the construction of welfare housing had increased to RMB17,457 million.

## **Green Governance for Energy Saving and Environmental Protection**

We proactively promote green financing. We focus on supporting the development of “Green Industry”, “Green Agriculture” and tertiary industry. Projects associated with advanced technologies and energy-conservation were given priority when considering loan applications. In 2011, the balance of loans relating to energy-saving and environment-protection projects was RMB88,168 million and we granted loans to 599 new projects during the course of the year. We raised the entry threshold to the companies in Industries with high energy consumption, high pollution and overcapacity and strengthened the overall credit limit control. In addition, we withdrew the credit approval authorizations and implemented a customer list-based credit management system. We vetoed granting loans to companies that do not satisfy the environmental standard during the credit approval procedure.

We have promoted low-carbon finance. We continued the development of our e-banking transaction channels, e-banking service channels and e-commerce system, so as to enhance the level of our services provided electronically and lower carbon emissions connected with banking services. At the end of 2011, the proportion of electronic banking transaction reached 62.6%. Furthermore, we have actively supported CDM related projects. Since 2008, we granted loan approvals and provided support to 18 CDM projects which covered 3 main business areas of water power, wind power and bio-electricity. Those projects were located in provinces including Sichuan, Shandong, Guangxi, Inner Mongolia, Hubei, Guizhou, Yunnan.

We adhere to the concept of green office. We have continued to improve and optimize our bank-wide automatic office system and realized electronic office. We expedited the development of a bank-wide video conference system to improve efficiency. We also promoted the practice of thrift and developed office plans to lower energy consumption and cost, as well as actively advocated “Green transportation” and “low-carbon life”.

## **Contributing to Social Harmony with Integrity**

We continue to improve the quality of customer services. We continuously refined and streamlined the system, procedures and operation model of product innovation, and further enriched the portfolio of featured products. At the end of 2011, we and our branches offered 70 and 837 new products, respectively. We continued to promote the transformation of our branch outlets and refined the layout of branches with specific functional zones. We carried out the “Year of Service Quality Enhancement” activity and our integrated services of branch outlets were further improved. We optimized the e-banking service network system and broadened our customer service channels. Furthermore, we accelerated the construction of our 95599 customer service center and formulated a “3+3” customer service network under the head office and branch outlets to improve communication with customers and promptly respond to their complaints in order to improve customer satisfaction.

We care for the career development of our employees. In 2011, we offered 18,403 employment opportunities within the society. We encouraged employees to participate in democratic management, established communication channels for our employees to express their views and improved the welfare benefits of our employees. We strived to broaden the career development of employees by starting the construction of professional position system. We also integrated and refined our training resources and organized domestic and overseas training at multiple-levels, so as to further improve the capability and quality of our employees.

We are devoted to charity. In 2011, our domestic donations amounted to RMB25.72 million. We made significant efforts in reconstruction of banking services in regions damaged by the earthquake in Wenchuan of Sichuan Province and Yushu of Qinghai Province, and the landslide in Zhouqu of Gansu Province. During the course of 3 years since Wenchuan Earthquake, we provided loans totalling RMB65.5 billion in connection with the reconstruction of 39 severely damaged regions in Sichuan. We launched various donation activities to subsidize and provide financial assistances to students, and voluntary services which an aggregate of 23,390 volunteers from the Bank has taken part in, with total service time of over 170,000 hours in 2011.

We will issue our Corporate Social Responsibility Report 2011 with details of our social responsibility activities.

## Significant Events

### Material Legal Proceedings and Arbitration

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

As of 31 December 2011, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB3.295 billion. The management of the Bank believes that we have fully accrued provision for the possible losses arising from the said legal proceedings. Such events will not have any material adverse effect on our financial position or operational results.

### Shares Held by the Bank in Listed Companies and Unlisted Financial Enterprises

#### Shares held by the Bank in listed companies<sup>1</sup>

Stock code	Abbreviation of securities	Investment cost (RMB Yuan)	Shareholding percentage (%)	Book value at the end of the period (RMB Yuan)	Gain/loss during the reporting period <sup>2</sup> (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
600127	GAEA GEM	148,701,666	17.92	115,337,752	96,262,145	—	Interests in associates	Take-over of debt equity
MA	MasterCard Incorporated	10,573,299	0.01	88,461,429	—	33,374,853	Available-for-sale financial assets	Investment of self-owned capital
V	Visa Inc.	16,519,435	0.03	35,932,463	—	11,037,669	Available-for-sale financial assets	Investment of self-owned capital
1668	China South City	15,304,866	0.15	7,215,230	—	(3,161,714)	Available-for-sale financial assets	Investment of self-owned capital
00346	Sino Union Energy	23,302,750	1.00	16,592,597	—	(6,838,116)	Available-for-sale financial assets	Investment of self-owned capital

- Notes: 1. The shares of listed companies specified above are recognized as interests in associates and available-for-sale financial assets.  
2. Mainly including investment gains.

#### Shares held by the Bank in unlisted financial enterprises

Name of investee company	Investment cost (RMB Yuan)	Number of shares held (in ten thousand shares)	Shareholding percentage (%)	Book value at the end of the period (RMB Yuan)	Gain/loss during the reporting period (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
China UnionPay Co., Ltd	146,250,000	11,250	3.84	146,250,000	3,150,000	—	Available-for-sale financial assets	Investment of self-owned capital
Evergrowing Bank Co., Ltd	11,750,000	2,691	0.37	11,750,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
China Guangfa Bank Company Limited	61,433,777	2,219	0.14	61,433,777	—	—	Available-for-sale financial assets	Investment of self-owned capital

## Trading of shares of other listed companies

Number of shares held at the beginning of the reporting period (shares)	Number of shares bought during the reporting period (shares)	Number of shares sold during the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Capital used (RMB Yuan)	Investment return incurred (RMB Yuan)
133,040,150	42,550,000	28,963,600	146,626,550	25,236,957	192,201,466

### **Major Asset Acquisition, Disposal and Merger**

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

### **Implementation of Share Incentive Plan**

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

### **Connected Transactions**

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

### **Details and Performance of Material Contracts**

#### *Material custody, contract and lease*

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

#### *Material guarantees*

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

#### *Material events concerning entrusting others for cash management or entrusted loans*

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

## **Occupation of Fund by Controlling Shareholder and Other Related Parties**

None of our controlling shareholder and other related parties occupied any of our funds.

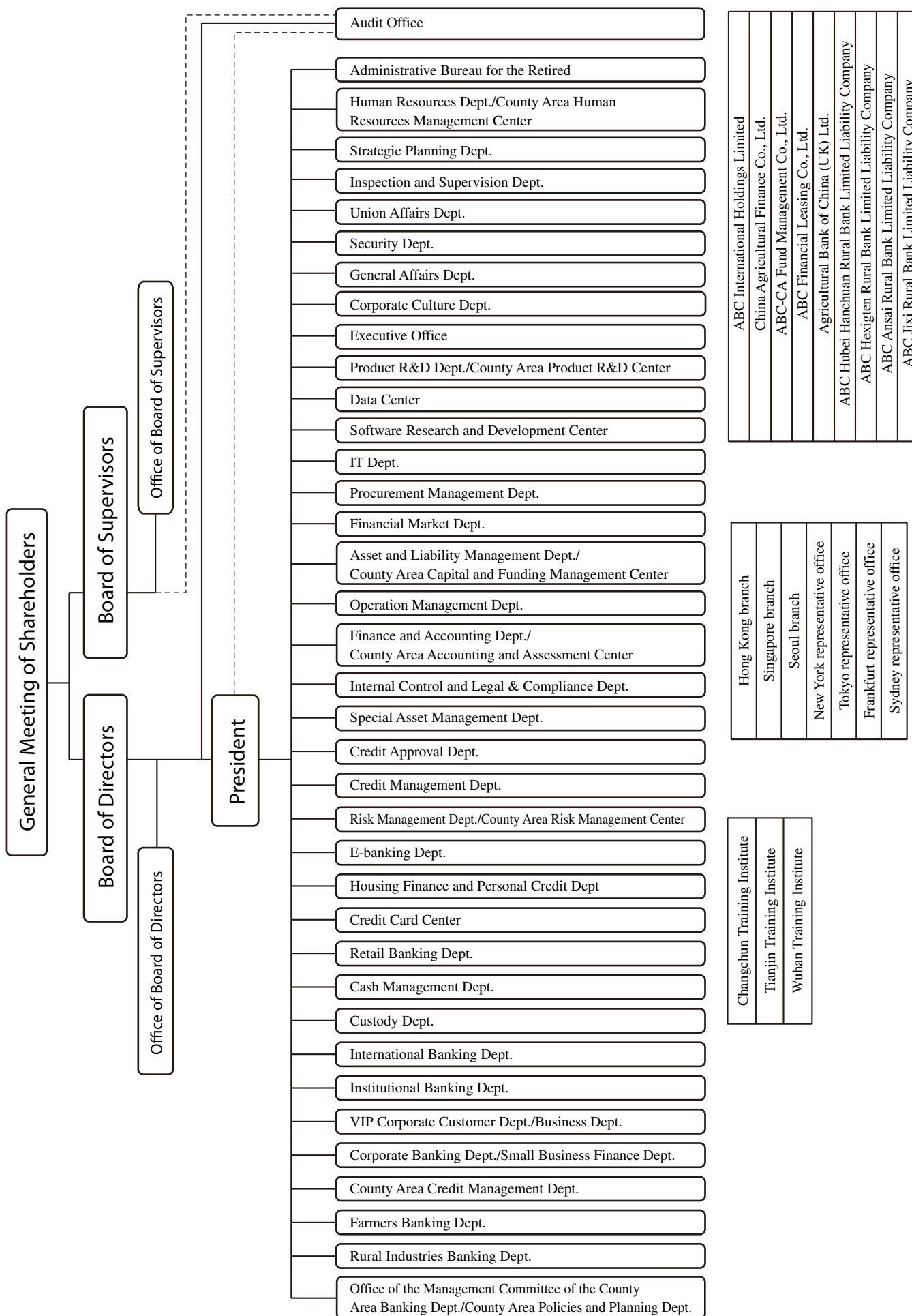
## **Commitments Made by the Bank or Our Shareholders Holding 5% Shares or Above**

During the reporting period, the commitments of our shareholders were consistent with those disclosed in the prospectus of the initial public offering of the Bank. As of 31 December 2011, the commitments of our shareholders were performed.

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

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

# Organizational Chart



# List of Domestic and Overseas Branches and Institutions

## Domestic Institutions

- **BEIJING BRANCH**

ADD: 5 Zhanlanguan Road,  
Xicheng District,  
Beijing 100037,  
P. R. China  
TEL: 010-68352811  
FAX: 010-68356906

- **TIANJIN BRANCH**

ADD: No. 36 Zijinshan Road,  
Hexi District,  
Tianjin 300074,  
P. R. China  
TEL: 022-23338505  
FAX: 022-23338502

- **HEBEI BRANCH**

ADD: 39 Ziqiang Road,  
Shijiazhuang,  
Hebei Province 050000,  
P. R. China  
TEL: 0311-87026962  
FAX: 0311-87880897

- **SHANXI BRANCH**

ADD: 33 Southern Inner Ring Street West,  
Taiyuan, Shanxi Province 030024,  
P. R. China  
TEL: 0351-4957007  
FAX: 0351-4956976

- **INNER MONGOLIA BRANCH**

ADD: 83 Zhelimu Road,  
Hohhot,  
Inner Mongolia 010010,  
P. R. China  
TEL: 0471-6903388-80904  
FAX: 0471-6904750

- **LIAONING BRANCH**

ADD: 27 Beijing Street,  
Shenhe District,  
Shenyang, Liaoning Province 110013,  
P. R. China  
TEL: 024-22550084  
FAX: 024-22550089

- **JILIN BRANCH**

ADD: 926 Renmindajie,  
Changchun,  
Jilin Province 130051,  
P. R. China  
TEL: 0431-82093001  
FAX: 0431-82093605

- **HEILONGJIANG BRANCH**

ADD: 131 Xidazhijie,  
Nangang District,  
Harbin,  
Heilongjiang Province 150006,  
P. R. China  
TEL: 0451-86208845  
FAX: 0451-86216843

- **SHANGHAI BRANCH**

ADD: 599 Xujiahui Road,  
Luwan District,  
Shanghai 200023,  
P. R. China  
TEL: 021-53961770  
FAX: 021-53961896

- **GUANGXI AUTONOMOUS REGION BRANCH**

ADD: 56 Jinhua Road,  
Nanning,  
Guangxi Autonomous Region 530028,  
P. R. China  
TEL: 0771-2106180  
FAX: 0771-2106696

- **HAINAN BRANCH**

ADD: 26 Binhai Avenue,  
Haikou,  
Hainan Province 570125,  
P. R. China  
TEL: 0898-66777728  
FAX: 0898-66791452



• **SICHUAN BRANCH**

ADD: 6 Tiyuchang Road,  
Chengdu,  
Sichuan Province 610015,  
P. R. China  
TEL: 028-86760366  
FAX: 028-86760276

• **CHONGQING BRANCH**

ADD: 103 Xinhua Road,  
Yuzhong District,  
Chongqing 400011,  
P. R. China  
TEL: 023-63550892  
FAX: 023-63843128

• **GUIZHOU BRANCH**

ADD: 201 South Zhonghua Road,  
Guiyang,  
Guizhou Province 550002,  
P. R. China  
TEL: 0851-5221016  
FAX: 0851-5221064

• **YUNNAN BRANCH**

ADD: 1 Renmin Middle Road,  
Kunming,  
Yunnan Province 650051,  
P. R. China  
TEL: 0871-3203765  
FAX: 0871-3203584

• **TIBET BRANCH**

ADD: 12 East Kang'ang Road,  
Lhasa,  
Tibet 850000,  
P. R. China  
TEL: 0891-6339191  
FAX: 0891-6328111-6125

• **SHAANXI BRANCH**

ADD: 64 South guanzheng Street,  
Xi'an,  
Shaanxi Province 710068,  
P. R. China  
TEL: 029-87804847  
FAX: 029-87804810

• **GANSU BRANCH**

ADD: 108 North Jinchang Road,  
Lanzhou,  
Gansu Province 730030,  
P. R. China  
TEL: 0931-8895162  
FAX: 0931-8895039

• **QINGHAI BRANCH**

ADD: 96 Huanghe Road,  
Xining,  
Qinghai Province 810001,  
P. R. China  
TEL: 0971-6145208  
FAX: 0971-6114575

• **WUHAN TRAINING INSTITUTE**

ADD: 134 Zhongbei Road,  
Wuchang District,  
Wuhan,  
Hubei Province 430077,  
P.R. China  
TEL: 027-86783669  
FAX: 027-86795502

• **SUZHOU BRANCH**

ADD: 65 Shishan Road,  
New District,  
Suzhou,  
Jiangsu Province 215011,  
P.R. China  
TEL: 0512-68247016  
FAX: 0512-68417800

• **ABC-CA FUND MANAGEMENT CO., LTD.**

ADD: 7/F, Puxiang Business Plaza,  
1600 Century Road,  
Shanghai 200122,  
P.R. China  
TEL: 021-61095588  
FAX: 021-61095556

• **ABC FINANCIAL LEASING CO., LTD.**

ADD: 5-6/F, East Yan'an Road,  
Huangpu District,  
Shanghai 200120,  
P.R. China  
TEL: 021-68776699  
FAX: 021-68777599

• **JIANGSU BRANCH**

ADD: 357 Hongwu Road,  
Nanjing 210002,  
P. R. China  
TEL: 025-84577005  
FAX: 025-84577017

• **ZHEJIANG BRANCH**

ADD: 55 Changqing Street,  
Hangzhou,  
Zhejiang Province 310003,  
P. R. China  
TEL: 0571-87226000  
FAX: 0571-87226219

• **ANHUI BRANCH**

ADD: 448 Changjiang Zhonglu,  
Hefei,  
Anhui Province 230061,  
P. R. China  
TEL: 0551-2843475  
FAX: 0551-2223204

• **FUJIAN BRANCH**

ADD: 177 Hualin Road,  
Fuzhou,  
Fujian Province 350003,  
P. R. China  
TEL: 0591-87909355  
FAX: 0591-87909620

• **JIANGXI BRANCH**

ADD: 339 Zhongshan Road,  
Nanchang,  
Jiangxi Province 330008,  
P. R. China  
TEL: 0791-6693775  
FAX: 0791-6693972

• **SHANDONG BRANCH**

ADD: 168 Jingqi Road,  
Ji'nan,  
Shandong Province 250001,  
P. R. China  
TEL: 0531-85858798  
FAX: 0531-85858656

• **HENAN BRANCH**

ADD: 16 Outer Ring Road,  
CBD Zhengdong New District,  
Zhengzhou,  
Henan Province 450016,  
P. R. China  
TEL: 0371-69196826  
FAX: 0371-69196864

• **HUBEI BRANCH**

ADD: Seat A,  
Jinjin Garden,  
66 Zhongbei Road,  
Wuchang District,  
Wuhan,  
Hubei Province 430071,  
P. R. China  
TEL: 027-68875780  
FAX: 027-68875106

• **HUNAN BRANCH**

ADD: 540 Furong Zhonglu,  
Section 1,  
Changsha,  
Hunan Province 410005,  
P. R. China  
TEL: 0731-84300206  
FAX: 0731-84300206

• **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road,  
Zhujiang New Town,  
Tianhe District,  
Guangzhou,  
Guangdong Province 510623,  
P. R. China  
TEL: 020-38008185  
FAX: 020-38008210

• **NINGXIA BRANCH**

ADD: 95 West Jiefang Street,  
Xingqing District,  
Yinchuan,  
Ningxia Autonomous Region 750001,  
P. R. China  
TEL: 0951-6027614  
FAX: 0951-6027430

• **XINJIANG BRANCH**

ADD: 66 South Jiefang Road,  
Urumqi 830002,  
P. R. China  
TEL: 0991-2369407  
FAX: 0991-2815229

• **XINJIANG PRODUCTION AND  
CONSTRUCTION CORPS BRANCH**

ADD: 173 South Jiefang Road,  
Urumqi 830002,  
P. R. China  
TEL: 0991-2217709  
FAX: 0991-2813627

• **DALIAN BRANCH**

ADD: 10 Zhongshan Road,  
Zhongshan District,  
Dalian,  
Liaoning Province 116001,  
P. R. China  
TEL: 0411-82510089  
FAX: 0411-82510673

• **QINGDAO BRANCH**

ADD: 19 Shandong Road,  
Qingdao,  
Shandong Province 266071,  
P. R. China  
TEL: 0532-85802215  
FAX: 0532-85814102

• **NINGBO BRANCH**

ADD: 518 East Zhongshan Road,  
Ningbo,  
Zhejiang Province 315040,  
P. R. China  
TEL: 0574-87363537  
FAX: 0574-87363353

• **XIAMEN BRANCH**

ADD: ABC Building,  
98-100 Jiahe Road,  
Siming District,  
Xiamen,  
Fujian Province 361009,  
P. R. China  
TEL: 0592-5578855  
FAX: 0592-5578899

• **SHENZHEN BRANCH**

ADD: 5008 East Shennan Road,  
Shenzhen,  
Guangdong Province 518001,  
P. R. China  
TEL: 0775-25590960  
FAX: 0755-25572255

• **TIANJIN TRAINING INSTITUTE**

ADD: 88 Weijin Nanlu,  
Nankai District,  
Tianjin 300381,  
P.R. China  
TEL: 022-23389307  
FAX: 022-23381289

• **CHANGCHUN TRAINING  
INSTITUTE**

ADD: 1408 Qianjin Street,  
Chaoyang District,  
Changchun,  
Jilin Province 130012,  
P.R. China  
TEL: 0431-86822111  
FAX: 0431-86822111

• **ABC HUBEI HANCHUAN RURAL  
BANK LIMITED LIABILITY  
COMPANY**

ADD: Jianshece Road,  
Xinhe Power Plant,  
Hanchuan,  
Hubei Province 431600,  
P.R. China  
TEL: 0712-8412338  
FAX: 0712-8412338

• **ABC HEXIGTEN RURAL BANK  
LIMITED LIABILITY COMPANY**

ADD: Industrial Park,  
Middle Section,  
Jiefang Road,  
Jingpeng Township,  
Hexigten 025350  
TEL: 0476-2331111  
FAX: 0476-2331111

• **ABC ANSAI RURAL BANK LIMITED  
LIABILITY COMPANY**

ADD: Majiagou Village,  
Zhenwudong County,  
Ansaï Town,  
Shaanxi Province 717400,  
P. R. China  
TEL: 0911-6229906  
FAX: 0911-6229906

• **ABC JIXI RURAL BANK LIMITED  
LIABILITY COMPANY**

ADD: 340 Longchuan Road,  
Huayang Town,  
Jixi County,  
Anhui Province 245300,  
P. R. China  
TEL: 0563-8158916  
FAX: 0563-8158916

**Overseas Institutions**

• **ABC INTERNATIONAL HOLDINGS  
LIMITED**

ADD: 701,  
7/F,  
One Pacific Place,  
88 Queensway,  
Hong Kong  
TEL: 00852-36660000  
FAX: 00852-36660009

• **AGRICULTURAL BANK OF CHINA  
(UK) LTD**

ADD: 7/F, 1 Bartholomew Lane,  
London,  
EC2N 2AX,  
U.K.  
TEL: 0044-20-73748900  
FAX: 0044-20-73746425

• **CHINA AGRICULTURAL FINANCE  
CO., LTD.**

ADD: Unit C,  
32/F,  
Tower One,  
Lippo Centre,  
No. 89 Queensway,  
Hong Kong  
TEL: 00852-25111645  
FAX: 00852-25075959

• **SEOUL BRANCH**

ADD: 14F Seoul Finance Center,  
84 Taepyung-ro 1-ga,  
Chung-gu,  
Seoul 100-768 Korea  
TEL: 0082-2-7530895  
FAX: 0082-2-7530889

• **HONG KONG BRANCH**

ADD: 23/F,  
Tower 1,  
Admiralty Center,  
18 Harcourt Road,  
Hong Kong  
TEL: 00852-28618000  
FAX: 00852-28660133

• **NEW YORK REPRESENTATIVE  
OFFICE**

ADD: 45 Rockefeller Plaza,  
Suite 1706 New York,  
NY10111 U.S.A.  
TEL: 001-212-8888998  
FAX: 001-212-8889686

• **SINGAPORE BRANCH**

ADD: No. 7 Temasek Boulevard #30-01/02/03,  
Suntec Tower 1,  
Singapore 038987  
TEL: 0065-65355255  
FAX: 0065-65367155

• **TOKYO REPRESENTATIVE  
OFFICE**

ADD: No. 503, Kishimoto Building 2-1,  
2 Chome Marunouchi,  
Chiyoda-Ku,  
Tokyo,  
100 Japan  
TEL: 0081-3-32114628  
FAX: 0081-3-32125047

- **FRANKFURT REPRESENTATIVE OFFICE**

ADD: Ulmenstrasse 37-39,  
60325 Frankfurt am Main,  
Deutschland  
TEL: 0049-69-71589468  
FAX: 0049-69-71589469

- **SYDNEY REPRESENTATIVE OFFICE**

ADD: Suite 6502,  
level 65,  
MLC Centre,  
19-29 Martin Place,  
Sydney NSW 2000,  
Australia  
TEL: 00612-92221166  
FAX: 00612-92315342

## Definitions

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

1. ABC/We/Our Bank/the Group/the Bank/  
Agricultural Bank of China Agricultural Bank of China Limited or its predecessor
2. Articles of Association of the Bank/  
Articles of Association The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 13 October 2010
3. Basis Point A unit measure related to the change in an interest rate or exchange rate, which is equal to 0.01%
4. CARPALs Supervision Index System A new supervision index system regulated by the CBRC, which is applicable to large commercial banks in China. This system consists 13 items within 7 types of index, which are capital adequacy, asset quality, risk concentration, provisioning coverage, affiliated institutions, liquidity and swindle prevention and control
5. CASs The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations
6. CBRC China Banking Regulatory Commission
7. County Area(s) Areas designated as counties or county-level cities under China's administrative division system, excluding municipal districts
8. County Area Banking Business We provide customers in the County Areas with a broad range of financial products and services through our branch outlets located in counties and county-level cities in China. We refer to such banking business as the "Sannong Banking Business" or "County Area Banking Business"

9. County Area Banking Division	An internal functional department of the Bank established in accordance with the requirements of restructuring state-owned commercial banks into shareholding enterprises. The department focuses on the operation of the County Area Banking Business with independent governance, operational decision making, financial accounting as well as incentives and restrictions systems
10. CSRC	China Securities Regulatory Commission
11. Duration	An approach employed to measure the average term of cash flows of debt securities, mainly reflecting the sensitivity of debt securities to interest rate movements
12. Economic capital	Capital allocated to assets or business for the purpose of mitigating risks based on internal assessment of the management of commercial banks
13. Hong Kong Listing Rules	The Rules Governing the Listing of Securities of the Hong Kong Stock Exchange
14. Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
15. Huijin	Central Huijin Investment Ltd.
16. Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
17. MOF	The Ministry of Finance of the People’s Republic of China
18. PBOC	The People’s Bank of China
19. Sannong	Agriculture, rural areas and farmers
20. SHIBOR	Shanghai Interbank Offered Rate quoted by National Interbank Funding Center since 4 January 2007
21. SSF	National Council for Social Security Fund of the PRC

22. Subordinated Bonds
- Bonds issued by commercial bank which ranks after other equity capital and other debts. Subordinated Bonds fulfilling the conditions can be classified into supplementary capital
23. The New Basel Capital Accord
- The revised Basel Framework promulgated by Basel Committee on Banking Supervision on 26 June 2004, also known as Basel II