中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1288

Joint Dedication to Build a Beautiful China

2016
INTERIM REPORT

Contents

Definitions

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

1.	A Share(s)	Ordinary shares listed domestically which are subscribed and traded in Renminbi
2.	ABC/We/Our Bank/ the Group/the Bank/ Agricultural Bank of China	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
3.	Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 14 August 2014
4.	Basis Point(s)	A unit of measure related to the change in an interest rate or exchange rate, which is equivalent to 0.01%
5.	CASs/PRC GAAP	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 issued subsequently
6.	CBRC	China Banking Regulatory Commission
7.	County Area Banking Business	A broad range of financial products and services provided to customers in the County Areas through our branch outlets located in counties and county-level cities in the People's Republic of China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
8.	County Area Banking Division	An internal division with management mechanism adopted by the Bank for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence to a certain extent in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism
9.	County Area(s)	The county-level regions (excluding the district-level areas in the cities) in China and the areas under their administration, including counties and county-level cities
10.	CSRC	China Securities Regulatory Commission

11.	Duration	An approach employed to measure the weighted average term of cash flows of debt securities, which mainly reflects the sensitivity of the value of debt securities to interest rate movements
12.	Economic capital	Capital allocated to assets or businesses for the purpose of mitigating risks based on internal assessment of the management of commercial banks
13.	H Share(s)	Ordinary shares listed on The Stock Exchange of Hong Kong Limited and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi
14.	Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
15.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
16.	Huijin	Central Huijin Investment Ltd.
17.	Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
18.	MOF	Ministry of Finance of the People's Republic of China
19.	PBOC	The People's Bank of China
20.	Sannong	Agriculture, rural areas and farmers
21.	SSF	National Council for Social Security Fund of the People's Republic of China

Basic Corporate Information

Legal name in Chinese	中國農業銀行股份有限公司
Abbreviation	中國農業銀行
Legal name in English	AGRICULTURAL BANK OF CHINA LIMITED
Abbreviation	AGRICULTURAL BANK OF CHINA ("ABC")
Legal representative	ZHOU Mubing
Authorized representative	ZHAO Huan ZHANG Keqiu
Board Secretary and Company Secretary	ZHANG Keqiu Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85108557 E-mail: ir@abchina.com
Listing exchange of A Shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (Stock code)	農行優1 (360001); 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Name of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP
Address	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
Names of the undersigned Accountant	WANG Wei, HAN Dan

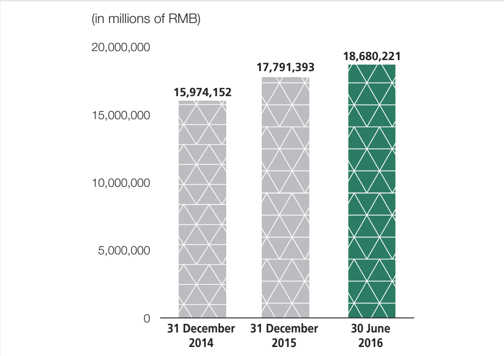
Basic Corporate Information

Name of international auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong
Name of sponsor for continuous supervision	CITIC Securities Co., Ltd.
Address	Times Square Excellence II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province
Names of the undersigned representatives of the sponsor	ZHOU Yu, SHAO Xianghui
Duration of continuous supervision	From 14 November 2014 to 31 December 2016

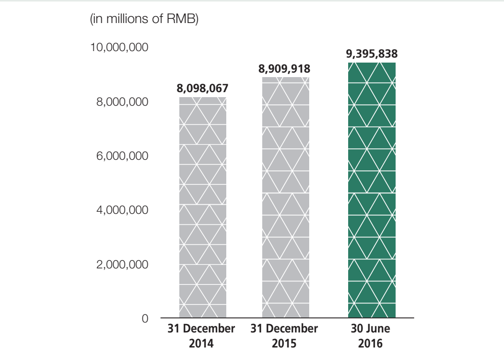
Financial Highlights

The financial data and indicators presented in this interim report are prepared in accordance with the International Financial Reporting Standards ("IFRSs") and denominated in RMB, unless otherwise stated.

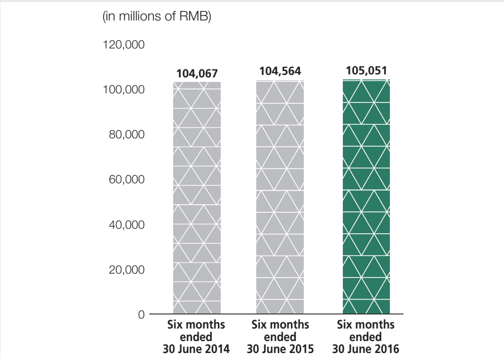
Total assets



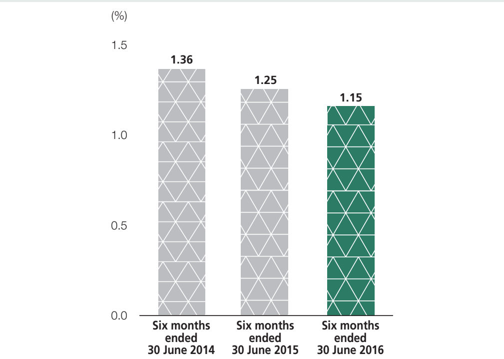
Total loans and advances to customers



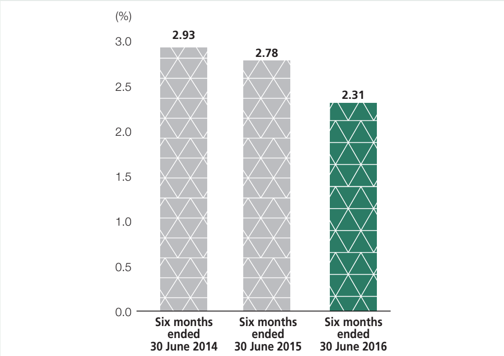
Net profit



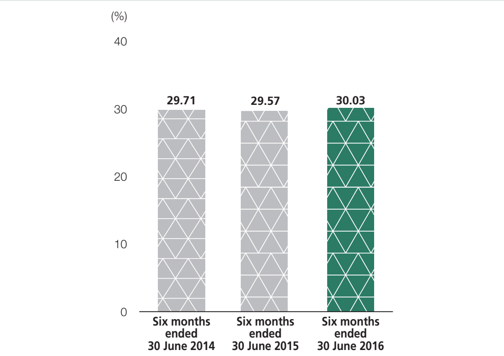
Return on average total assets



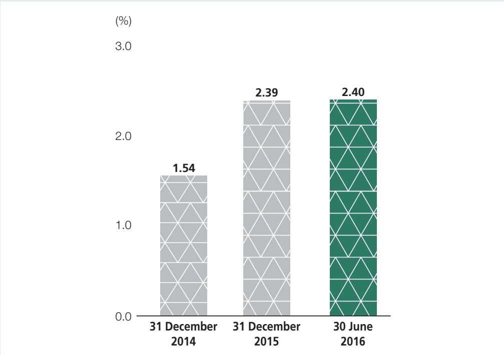
Net interest margin



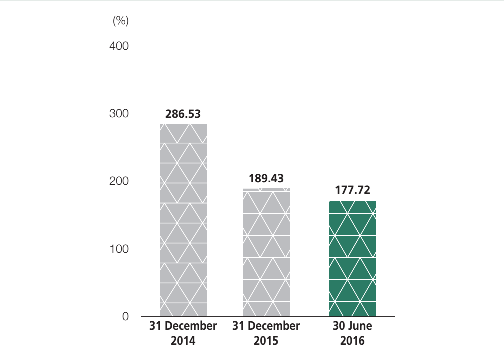
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Financial Highlights

Key Financial Data

	30 June 2016	31 December 2015	31 December 2014
At the end of the reporting period (in millions of RMB)			
Total assets	**18,680,221**	17,791,393	15,974,152
Total loans and advances to customers	**9,395,838**	8,909,918	8,098,067
Corporate loans	**5,495,962**	5,378,404	5,147,410
Discounted bills	**423,630**	356,992	157,349
Retail loans	**3,046,958**	2,727,890	2,396,639
Overseas and others	**429,288**	446,632	396,669
Allowance for impairment losses on loans	**400,554**	403,243	358,071
Loans and advances to customers, net	**8,995,284**	8,506,675	7,739,996
Investment in securities and other financial assets, net	**5,042,556**	4,512,047	3,575,630
Cash and balances with central banks	**2,628,945**	2,587,057	2,743,065
Deposits and placements with and loans to banks and other financial institutions	**927,535**	1,202,175	979,867
Financial assets held under resale agreements	**534,840**	471,809	509,418
Total liabilities	**17,421,419**	16,579,508	14,941,533
Deposits from customers	**14,524,837**	13,538,360	12,533,397
Corporate deposits	**5,366,680**	4,821,751	4,437,283
Retail deposits	**8,559,806**	8,065,556	7,422,318
Overseas and others	**598,351**	651,053	673,796
Deposits and placements from banks and other financial institutions	**1,417,290**	1,537,660	1,056,064
Financial assets sold under repurchase agreements	**161,247**	88,804	131,021
Debt securities issued	**344,094**	382,742	325,167
Equity attributable to equity holders of the Bank	**1,256,333**	1,210,091	1,031,066
Net capital[1]	**1,490,055**	1,471,620	1,391,559
Common Equity Tier 1 (CET1) capital, net[1]	**1,170,335**	1,124,690	986,206
Additional Tier 1 capital, net[1]	**79,904**	79,902	39,946
Tier 2 capital, net[1]	**239,816**	267,028	365,407
Risk-weighted assets[1]	**11,629,603**	10,986,302	10,852,619

Financial Highlights

	Six months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2014
Interim operating results (in millions of RMB)			
Operating income	**262,504**	276,309	267,909
Net interest income	**198,957**	219,493	209,438
Net fee and commission income	**51,108**	47,643	47,848
Operating expenses	**94,309**	102,309	103,386
Impairment losses on assets	**36,735**	39,321	28,939
Total profit	**131,457**	134,679	135,584
Net profit	**105,051**	104,564	104,067
Net profit attributable to equity holders of the Bank	**105,148**	104,315	104,032
Net cash generated from operating activities	**534,769**	520,348	479,598

Financial Indicators

	Six months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2014
Profitability (%)			
Return on average total assets[2]	**1.15***	1.25*	1.36*
Return on weighted average net assets[3]	**17.63***	19.96*	23.04*
Net interest margin[4]	**2.31***	2.78*	2.93*
Net interest spread[5]	**2.16***	2.61*	2.77*
Return on risk-weighted assets[1,6]	**1.80***	1.88*	2.00*
Net fee and commission income to operating income	**19.47**	17.24	17.86
Cost-to-income ratio[7]	**30.03**	29.57	29.71
Data per share (RMB Yuan)			
Basic earnings per share[3]	**0.32**	0.32	0.32
Diluted earnings per share[3]	**0.32**	0.32	0.32
Net cash per share generated from operating activities	**1.65**	1.60	1.48

	30 June 2016	31 December 2015	31 December 2014
Asset Quality (%)			
Non-performing loan ratio[8]	**2.40**	2.39	1.54
Allowance to non-performing loans[9]	**177.72**	189.43	286.53
Allowance to total loans[10]	**4.26**	4.53	4.42
Capital adequacy (%)			
Common Equity Tier 1 (CET 1) capital adequacy ratio[1]	**10.06**	10.24	9.09
Tier 1 capital adequacy ratio[1]	**10.75**	10.96	9.46
Capital adequacy ratio[1]	**12.81**	13.40	12.82
Risk-weighted assets to total assets ratio[1]	**62.26**	61.75	67.94
Total equity to total assets ratio	**6.74**	6.81	6.46
Data per share (RMB Yuan)			
Net assets per share	**3.62**	3.48	3.05

Notes:
1. *Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.*
2. *Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period.*
3. *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.*
4. *Calculated by dividing net interest income by the average balance of interest-earning assets.*
5. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*
6. *Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.*
7. *Calculated by dividing operating and administrative expenses by operating income under CASs, which is consistent with the figures as stated in the financial report of the Bank prepared in accordance with CASs.*
8. *Calculated by dividing balance of non-performing loans by total loans and advances to customers.*
9. *Calculated by dividing allowance for impairment losses on loans by balance of non-performing loans.*
10. *Calculated by dividing allowance for impairment losses on loans by total loans and advances to customers.*

* *Annualized figures.*

Other Financial Indicators

		Regulatory Standard	**30 June 2016**	31 December 2015	31 December 2014
Liquidity ratio[1] (%)	RMB	≥25	**46.92**	44.50	44.02
	Foreign Currency	≥25	**82.69**	115.15	72.49
Percentage of loans to the largest single customer[2] (%)		≤10	**7.12**	7.15	5.23
Percentage of loans to top ten customers[3] (%)			**16.83**	16.82	14.43
Loan migration ratio[4] (%)	Normal		**2.56**	4.96	3.60
	Special mention		**16.29**	18.28	4.99
	Substandard		**80.09**	86.94	42.53
	Doubtful		**4.77**	10.35	10.10

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 to the largest single customer by net capital.*
3. *Calculated by dividing loans to top ten customers by net capital.*
4. *Calculated in accordance with the relevant regulations of the CBRC, reflecting domestic data only.*

Environment and Prospects

In the first half of 2016, the global economic situation remained complex, with economic growth slowing. The U.S. economy continued its moderate recovery. Its GDP in the second quarter of the year increased at an annualized rate of 1.2% compared to that in the first quarter of the year, and the unemployment rate continued to decline. The economies in the Eurozone maintained a slow recovery. Although the unemployment rate declined slightly, it still remained at a relatively high level, and the foundations for recovery are yet to be stabilized. Although its GDP in the first quarter of the year increased at an annualized rate of 1.9% compared to that in the first quarter of the year, the Japanese economy fell again into deflation. Affected by the restrictions of their own structural factors and impact of geopolitical factors, the economic growth of developing countries further slowed, and the vulnerability of certain economies increased.

In the first half of 2016, the GDP of China recorded a year-on-year growth of 6.7%, a decrease of 0.3 percentage point as compared to the corresponding period of the previous year. The growth of fixed asset investment and total retail sales of consumer goods decreased as compared to the corresponding period of the previous year, and exports continued to decline. China's economic restructuring accelerated as the contribution of consumption to economic growth grew by 13.2 percentage points as compared to the same period of the previous year, and the added value of tertiary industry to GDP increased by 1.8 percentage points as compared to the corresponding period of the previous year. The development of China's new economy demonstrated a favorable growth trend as high technology industries, new businesses and new business models maintained rapid growth. The initiative of "cutting overcapacity, cutting excess inventory, deleveraging, reducing costs and strengthening points of weakness" started to take effect. The profits of industrial enterprises started to improve and inventories of commercial houses trended downwards. Investment in key areas and weak areas increased rapidly.

In the first half of 2016, the PRC government innovatively adjusted macro-economic policies while maintaining their continuity and stability. Proactive fiscal policies focused more on intensity and effectiveness, while prudent monetary policies were intended to be adaptable and moderate. Through the adjustment of the deposit reserve ratio and the comprehensive adoption of monetary policies such as Standing Lending Facility (SLF), Medium-term Lending Facility (MLF) and Pledged Supplementary Lending (PSL), market liquidity was maintained at a reasonably adequate level and broad money supply (M2) remained stable. Macro-prudential evaluation was implemented and macro-prudential regulations targeting a broad range of cross-border financing was promoted nationwide, further improving the macro-prudential regulatory framework. A pilot project for linking investments and loans was launched, and the bank card clearing market was further opened.

Looking forward to the second half of the year, it is expected that global economies will continue to experience unbalanced recovery and the Chinese economy is expected to experience structural adjustment and promotion of structural reform. With the benefits of reform continuing to be revealed, China's economy is expected to stabilize. As fixed asset investment is expected to maintain high growth and consumption will also continue to play a fundamental supporting role in the economy, annual economic growth is expected to meet the target set at the beginning of the year. It is expected that the PBOC will continue its prudent monetary policies, put greater effort into supporting supply-side structural reform, and further reduce financing cost, so as to support the transformation and upgrading of the real economy more effectively. In addition, the PBOC will establish and improve the interest rate establishment and adjustment mechanism such that the focus of monetary policy adjustment will shift from quantity adjustment to price adjustment. It is expected that the regulatory authorities will continue to promote the implementation of Basel III, so as to establish a banking regulatory framework that is consistent with international standards.

In the second half of the year, the Bank will conform to changes in the macro-economic situation and regulatory environment, judiciously deal with the risks and challenges arising from the ongoing complexity and uncertainty in our operating environment, and proactively respond to the development opportunities arising from the transformation and upgrading of the economy, so as to ensure the sound development of our diverse businesses and the steady growth of operating results.

Financial Statement Analysis

Income statement Analysis

In the first half of 2016, we recorded a net profit of RMB105,051 million, representing an increase of RMB487 million, or 0.5%, compared to the corresponding period of the previous year.

Changes of Key Income Statement Items

In millions of RMB, except for percentages

Item	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/ (decrease)	Growth rate (%)
Net interest income	**198,957**	219,493	(20,536)	-9.4
Net fee and commission income	**51,108**	47,643	3,465	7.3
Other non-interest income	**12,439**	9,173	3,266	35.6
Operating income	**262,504**	**276,309**	**(13,805)**	**-5.0**
Less: Operating expenses	**94,309**	102,309	(8,000)	-7.8
Impairment losses on assets	**36,735**	39,321	(2,586)	-6.6
Operating profit	**131,460**	**134,679**	**(3,219)**	**-2.4**
Share of result of associate	**(3)**	–	(3)	–
Profit before tax	**131,457**	134,679	(3,222)	-2.4
Less: Income tax expense	**26,406**	30,115	(3,709)	-12.3
Net Profit	**105,051**	**104,564**	**487**	**0.5**
Attributable to: Equity holders of the Bank	**105,148**	104,315	833	0.8
Non-controlling interests	**(97)**	249	(346)	-139.0

Net Interest Income

In the first half of 2016, our net interest income was RMB198,957 million, representing a decrease of RMB20,536 million compared to the corresponding period of the previous year. Growth in the volume of interest-earning assets resulted in an increase of RMB21,946 million of the interest income, partially offset by a decrease of RMB42,482 million related to changes in interest rates. In the first half of 2016, our net interest margin and net interest spread was 2.31% and 2.16%, respectively, representing decreases of 47 basis points and 45 basis points compared to the corresponding period of the previous year. The decreases in net interest margin and net interest spread were primarily due to the consecutive interest rate cuts by the PBOC from November 2014 to 2015, the decline in the yield of investment and financing businesses compared to the corresponding period of the previous year, and the separation of price and tax for the interest income from loans and other businesses under the "Transformation from Business Tax to Value-Added Tax" policy implemented since 1 May 2016, which result in the decrease in the yield of interest-earning assets.

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income/ expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	9,201,584	207,859	4.54	8,459,744	242,737	5.79
Debt securities investments[1]	4,393,190	82,172	3.76	3,411,844	69,652	4.12
Non-restructuring-related debt securities	4,027,867	76,590	3.82	3,040,230	63,993	4.24
Restructuring-related debt securities[2]	365,323	5,582	3.07	371,614	5,659	3.07
Balances with central banks	2,443,205	19,209	1.58	2,566,774	20,112	1.58
Amounts due from banks and other financial institutions[3]	1,291,443	20,520	3.20	1,459,026	31,329	4.33
Total interest-earning assets	17,329,422	329,760	3.83	15,897,388	363,830	4.62
Allowance for impairment losses[4]	(408,095)			(373,667)		
Non-interest-earning assets[4]	973,181			945,819		
Total assets	17,894,508			16,469,540		
Liabilities						
Deposits from customers	13,917,900	105,839	1.53	12,655,072	118,098	1.88
Amounts due to banks and other financial institutions[5]	1,399,502	17,515	2.52	1,448,169	19,238	2.68
Other interest-bearing liabilities[6]	441,761	7,449	3.39	409,865	7,001	3.44
Total interest-bearing liabilities	15,759,163	130,803	1.67	14,513,106	144,337	2.01
Non-interest-bearing liabilities[4]	1,064,573			959,542		
Total liabilities	16,823,736			15,472,648		
Net interest income		198,957			219,493	
Net interest spread			2.16			2.61
Net interest margin			2.31			2.78

Notes:

1. *Debt securities investments include debt securities investments at fair value through profit or loss, available-for-sale debt securities investments, held-to-maturity debt securities investments and debt securities investments classified as receivables.*
2. *Restructuring-related debt securities include receivable from the MOF and special government bond.*
3. *Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements.*
4. *The average balance of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balance at the beginning and the end of the reporting period.*
5. *Amounts due to banks and other financial institutions primarily include deposits and placements from banks and other financial institutions, as well as financial assets sold under repurchase agreements.*
6. *Other interest-bearing liabilities primarily include debt securities issued and borrowings from central banks.*
7. *Annualized figures.*

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

In millions of RMB

	Increase/(decrease) due to		Net increase/
	Volume	Interest rate	(decrease)
Assets			
Loans and advances to customers	16,758	(51,636)	(34,878)
Debt securities investments	18,355	(5,835)	12,520
Balances with central banks	(972)	69	(903)
Amounts due from banks and other financial institutions	(2,663)	(8,146)	(10,809)
Changes in interest income	31,478	(65,548)	(34,070)
Liabilities			
Deposits from customers	9,603	(21,862)	(12,259)
Amounts due to banks and other financial institutions	(609)	(1,114)	(1,723)
Other interest-bearing liabilities	538	(90)	448
Changes in interest expense	9,532	(23,066)	(13,534)
Changes in net interest income	**21,946**	**(42,482)**	**(20,536)**

Note: Changes due to the effects of both volume and interest rate have been allocated to the changes due to volume.

Interest Income

We recorded interest income of RMB329,760 million in the first half of 2016, representing a decrease of RMB34,070 million over the corresponding period of the previous year. The decrease was primarily due to the decrease of 79 basis points in average yield, partially offset by the increase of RMB1,432,034 million in average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers decreased by RMB34,878 million, or 14.4%, over the corresponding period of the previous year to RMB207,859 million. The decrease was primarily due to the decrease of 125 basis points in the average yield, partially offset by the increase of RMB741,840 million in the average balance.

The table below presents the average balance, interest income and average yield of loans and advances to customers by business type.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Average balance	Interest income	Average yield[1] (%)	Average balance	Interest income	Average yield[1] (%)
Corporate loans	**5,538,578**	**130,669**	**4.74**	5,344,589	159,383	6.01
Short-term corporate loans	**2,314,655**	**50,894**	**4.42**	2,263,190	64,523	5.75
Medium- and long-term corporate loans	**3,223,923**	**79,775**	**4.98**	3,081,399	94,860	6.21
Discounted bills	**373,219**	**6,323**	**3.41**	202,919	4,879	4.85
Retail loans	**2,869,484**	**65,585**	**4.60**	2,471,816	71,983	5.87
Overseas and others	**420,303**	**5,282**	**2.53**	440,420	6,492	2.97
Total loans and advances to customers	**9,201,584**	**207,859**	**4.54**	8,459,744	242,737	5.79

Note: 1. Annualized figures.

Interest income from corporate loans decreased by RMB28,714 million, or 18.0%, to RMB130,669 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of 127 basis points in the average yield. Interest income from retail loans decreased by RMB6,398 million, or 8.9%, to RMB65,585 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of 127 basis points in the average yield. The decrease in the average yield of corporate loans and retail loans was primarily due to: (1) the re-pricing of existing loans and lower interest rates for new loans as a result of six consecutive interest rate cuts by the PBOC since November 2014, and (2) the decrease in interest income from loans as a result of separation of price and tax under the "Transformation from Business Tax to Value-Added Tax" policy.

Interest income from discounted bills increased by RMB1,444 million, or 29.6%, to RMB6,323 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB170,300 million in the average balance, partially offset by the decrease of 144 basis points in the average yield.

Interest income from overseas and other loans decreased by RMB1,210 million, or 18.6%, to RMB5,282 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of 44 basis points in the average yield and the decrease of RMB20,117 million in the average balance.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In the first half of 2016, interest income from debt securities investments increased by RMB12,520 million to RMB82,172 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB981,346 million in the average balance, partially offset by the decrease of 36 basis points in the average yield. The decrease in average yield was mainly due to lower interest rate in the bond market and the decrease in interest income from debt securities as a result of separation of prices and taxes under the "Transformation from Business Tax to Value-Added Tax" policy.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB903 million to RMB19,209 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of RMB123,569 million in the average balance.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions decreased by RMB10,809 million to RMB20,520 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of 113 basis points in the average yield and the decrease of RMB167,583 million in the average balance. The decrease in the average yield is primarily due to the downward market interest rate.

Interest Expense

Interest expense decreased by RMB13,534 million to RMB130,803 million compared to the corresponding period of the previous year. The decrease was mainly due to the decrease of 34 basis points in the average cost, partially offset by the increase of RMB1,246,057 million in the average balance.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers decreased by RMB12,259 million to RMB105,839 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of 35 basis points in the average cost, partially offset by the increase of RMB1,262,828 million in the average balance. The decrease in the average cost was primarily due to (1) the re-pricing of existing deposits and lower interest rates of new deposits from customers as a result of consecutive interest rate cuts by the PBOC from November 2014 to 2015, and (2) the Bank strengthened management of deposit pricing to exercise effective control over interest cost.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

Item	Six months ended 30 June 2016 Average balance	Six months ended 30 June 2016 Interest expense	Six months ended 30 June 2016 Average cost[1] (%)	Six months ended 30 June 2015 Average balance	Six months ended 30 June 2015 Interest expense	Six months ended 30 June 2015 Average cost[1] (%)
Corporate deposits						
Time	**2,121,032**	**28,188**	**2.67**	1,935,273	31,984	3.33
Demand	**3,354,642**	**10,148**	**0.61**	2,943,796	10,309	0.71
Sub-Total	**5,475,674**	**38,336**	**1.41**	4,879,069	42,293	1.75
Retail deposits						
Time	**4,311,630**	**60,205**	**2.81**	4,188,180	69,434	3.34
Demand	**4,130,596**	**7,298**	**0.36**	3,587,823	6,371	0.36
Sub-Total	**8,442,226**	**67,503**	**1.61**	7,776,003	75,805	1.97
Total deposits from customers	**13,917,900**	**105,839**	**1.53**	12,655,072	118,098	1.88

Note: 1. Annualized figures.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions decreased by RMB1,723 million to RMB17,515 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of RMB48,667 million in the average balance and the decrease of 16 basis points in the average cost. The decrease in the average cost was primarily due to our reduction in high-cost deposits from banks and other financial institutions, which effectively reduced the inter-bank borrowing cost.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB448 million to RMB7,449 million compared to the corresponding period of the previous year, primarily due to the increase of RMB31,896 million in the average balance, partially offset by the decrease of 5 basis points in the average cost. The increase in the average balances was mainly due to the increase of insurance of debt securities by the Bank, the Bank's regular borrowing from the PBOC through lending facility, as well as the issuance of certificates of deposit by overseas branches.

Net Fee and Commission Income

In the first half of 2016, we generated net fee and commission income of RMB51,108 million, representing an increase of RMB3,465 million, or 7.3%, compared to the corresponding period of the previous year. The proportion of net fee and commission income to our operating income was 19.47%, representing an increase of 2.23 percentage points compared to the corresponding period of the previous year.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/ (decrease)	Growth rate (%)
Agency commissions	**20,476**	16,153	4,323	26.8
Settlement and clearing fees	**9,052**	9,492	(440)	-4.6
Bank card fees	**9,829**	10,408	(579)	-5.6
Consultancy and advisory fees	**6,553**	6,450	103	1.6
Electronic banking service fees	**5,377**	4,375	1,002	22.9
Custodian and other fiduciary service fees	**1,802**	1,679	123	7.3
Credit commitment fees	**1,273**	1,496	(223)	-14.9
Others	**84**	107	(23)	-21.5
Fee and commission income	**54,446**	50,160	4,286	8.5
Less: Fee and commission expenses	**3,338**	2,517	821	32.6
Net fee and commission income	**51,108**	47,643	3,465	7.3

Agency commissions increased by RMB4,323 million, or 26.8%, to RMB20,476 million compared to the corresponding period of the previous year. The increase was mainly due to the rapid growth in income from our bancassurance business.

Settlement and clearing fees decreased by RMB440 million, or 4.6%, to RMB9,052 million compared to the corresponding period of the previous year. The decrease was mainly due to the diversion effects of e-channels on settlement business.

Bank card fees decreased by RMB579 million, or 5.6%, to RMB9,829 million compared to the corresponding period of the previous year. The decrease was mainly due to the decrease in income from credit card instalment arrangements.

Consultancy and advisory fees increased by RMB103 million, or 1.6%, to RMB6,553 million compared to the corresponding period of the previous year. The increase was primarily due to the increased income from financial consultancy business.

Electronic banking service fees increased by RMB1,002 million, or 22.9%, to RMB5,377 million compared to the corresponding period of the previous year. The increase was primarily due to the rapid growth in income from e-commerce banking services.

Custodian and other fiduciary service fees increased by RMB123 million, or 7.3%, to RMB1,802 million compared to the corresponding period of the previous year. The increase was mainly due to the increased income from wealth management custodian.

Credit commitment fees decreased by RMB223 million, or 14.9%, to RMB1,273 million compared to the corresponding period of the previous year. The decrease was mainly due to the decrease in commitment fees related to bank acceptance.

Other Non-interest Income

In the first half of 2016, other non-interest income amounted to RMB12,439 million, representing an increase of RMB3,266 million compared to the corresponding period of the previous year.

Net trading gain amounted to RMB1,331 million, representing an increase of RMB643 million compared to the corresponding period of the previous year, which was primarily due to the increase in net gain on trading of precious metals and currency derivatives.

Net loss on financial instruments designated at fair value through profit or loss amounted to RMB1,262 million, representing an increase of RMB2,228 million compared to the corresponding period of the previous year, which was primarily due to the increase in loss on principal guaranteed wealth management products.

Net gain on investment securities amounted to RMB615 million, representing a decrease of RMB186 million compared to the corresponding period of the previous year, which was primarily due to the decrease in gain on the equity investment of ABC Life Insurance Co., Ltd..

Other operating income amounted to RMB8,984 million, representing an increase of RMB4,423 million over the corresponding period of the previous year. The increase was primarily due to the increased income from premium of our subsidiary, ABC Life Insurance Co., Ltd..

Composition of Other Non-Interest Income

In millions of RMB

Item	Six months ended 30 June 2016	Six months ended 30 June 2015
Net trading gain	**1,331**	688
Net (loss)/gain on financial instruments designated at fair value through profit or loss	**(1,262)**	966
Net gain on investment securities	**615**	801
Other operating income	**11,755**	6,718
Total	**12,439**	9,173

Operating Expenses

Our operating expenses amounted to RMB94,309 million, representing a decrease of RMB8,000 million compared to the corresponding period of the previous year. Staff costs amounted to RMB52,126 million, general operating and administrative expenses amounted to RMB16,622 million, business tax and surcharges amounted to RMB9,071 million, depreciation and amortization amounted to RMB9,446 million and provision for guarantees and commitments expenses amounted to RMB-2,861 million, representing a decrease of RMB1,553 million, RMB1,135 million, RMB5,988 million, RMB181 million and RMB4,204 million, respectively, compared to the corresponding period of the previous year. Insurance benefits and claims amounted to RMB8,655 million, representing an increase of RMB4,179 million compared to the same period of the previous year. The cost-to-income ratio was 30.03%, representing an increase of 0.46 percentage point compared to the corresponding period of the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Increase/ (decrease)	Growth rate (%)
Staff costs	**52,126**	53,679	(1,553)	-2.9
General operating and administrative expenses	**16,622**	17,757	(1,135)	-6.4
Business tax and surcharges	**9,071**	15,059	(5,988)	-39.8
Depreciation and amortization	**9,446**	9,627	(181)	-1.9
Insurance benefits and claims	**8,655**	4,476	4,179	93.4
Provision for guarantees and commitments	**(2,861)**	1,343	(4,204)	-313.0
Others	**1,250**	368	882	239.7
Total	**94,309**	102,309	(8,000)	-7.8

Impairment Losses on Assets

In the first half of 2016, impairment losses on assets decreased by RMB2,586 million to RMB36,735 million compared to the corresponding period of the previous year.

Impairment losses on loans decreased by RMB3,757 million to RMB35,117 million compared to the corresponding period of the previous year, primarily due to less allowance for impairment losses on loans assessed on a collective basis compared to the corresponding period of the previous year.

Income Tax Expense

In the first half of 2016, our income tax expense amounted to RMB26,406 million. The effective tax rate was 20.09%, which was lower than the statutory tax rate of 25%. This was primarily because the interest income derived from the PRC treasury bonds and local government bonds held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Information

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

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

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2016**		Six months ended 30 June 2015	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Corporate banking business	**130,294**	**49.6**	145,429	52.6
Retail banking business	**100,371**	**38.2**	102,529	37.1
Treasury business	**20,482**	**7.9**	21,110	7.7
Other business	**11,357**	**4.3**	7,241	2.6
Total operating income	**262,504**	**100.0**	276,309	100.0

The table below presents our operating income by geographic segment during the period indicated.

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2016**		Six months ended 30 June 2015	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Head Office	**18,413**	**7.0**	31,463	11.4
Yangtze River Delta	**52,866**	**20.1**	54,330	19.7
Pearl River Delta	**37,611**	**14.3**	36,253	13.1
Bohai Rim	**40,935**	**15.6**	42,550	15.4
Central China	**34,589**	**13.2**	35,241	12.7
Western China	**55,948**	**21.3**	57,811	20.9
Northeastern China	**10,022**	**3.8**	9,825	3.6
Overseas and others	**12,120**	**4.7**	8,836	3.2
Total operating income	**262,504**	**100.0**	276,309	100.0

The table below presents 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	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Amount	**Percentage (%)**	Amount	Percentage (%)
County Area Banking Business	**100,060**	**38.1**	103,244	37.4
Urban Area Banking Business	**162,444**	**61.9**	173,065	62.6
Total operating income	**262,504**	**100.0**	276,309	100.0

Balance Sheet Analysis

Assets

At 30 June 2016, our total assets amounted to RMB18,680,221 million, representing an increase of RMB888,828 million, or 5.0%, compared to the end of the previous year. Among that, net loans and advances to customers increased by RMB488,609 million, or 5.7%. Net investment in securities and other financial assets increased by RMB530,509 million, or 11.8%. Cash and balances with central banks increased by RMB41,888 million, or 1.6%. Deposits and placements with and loans to banks and other financial institutions decreased by RMB274,640 million, or 22.8%, primarily due to the decrease in market activities as a result of decrease in the price of funds. Financial assets held under resale agreements increased by RMB63,031 million, or 13.4%, primarily due to the increase in bonds held under resale agreements.

Key Assets Items

In millions of RMB, except for percentages

Item	30 June 2016		31 December 2015	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**9,395,838**	**–**	8,909,918	–
Less: Allowance for impairment losses on loans	**400,554**	**–**	403,243	–
Loans and advances to customers, net	**8,995,284**	**48.2**	8,506,675	47.8
Investment in securities and other financial assets, net	**5,042,556**	**27.0**	4,512,047	25.4
Cash and balances with central banks	**2,628,945**	**14.1**	2,587,057	14.5
Deposits and placements with and loans to banks and other financial institutions	**927,535**	**5.0**	1,202,175	6.8
Financial assets held under resale agreements	**534,840**	**2.8**	471,809	2.6
Others	**551,061**	**2.9**	511,630	2.9
Total assets	**18,680,221**	**100.0**	17,791,393	100.0

Loans and Advances to Customers

At 30 June 2016, our total loans and advances to customers amounted to RMB9,395,838 million, representing an increase of RMB485,920 million, or 5.5%, compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Line

In millions of RMB, except for percentages

Item	30 June 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	**8,966,550**	**95.4**	8,463,286	95.0
Corporate loans	**5,495,962**	**58.5**	5,378,404	60.4
Discounted bills	**423,630**	**4.5**	356,992	4.0
Retail loans	**3,046,958**	**32.4**	2,727,890	30.6
Overseas and others	**429,288**	**4.6**	446,632	5.0
Total	**9,395,838**	**100.0**	8,909,918	100.0

Corporate loans amounted to RMB5,495,962 million, representing an increase of RMB117,558 million, or 2.2%, compared to the end of the previous year, primarily because we increased credit support for major industries such as infrastructure construction and public utilities, key customers, key projects and key areas for steady growth, which led to a stable growth in corporate loans.

Retail loans amounted to RMB3,046,958 million, representing an increase of RMB319,068 million, or 11.7%, compared to the end of the previous year, primarily because we proactively supported the credit demand in people's livelihood such as retail residential mortgage loans, which resulted in a rapid growth in retail residential mortgage loans.

Discounted bills amounted to RMB423,630 million, representing an increase of RMB66,638 million, or 18.7%, compared to the end of the previous year, primarily because we adjusted loan granting structure and moderately increased bill facilities according to changes in demand for loans.

Overseas and other loans amounted to RMB429,288 million, representing a decrease of RMB17,344 million, or 3.9%, compared to the end of the previous year, primarily due to the slight decrease in the trade finance volume of our overseas branches as compared to the end of the previous year.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Short-term corporate loans	**2,301,400**	**41.9**	2,283,318	42.5
Medium- and long-term corporate loans	**3,194,562**	**58.1**	3,095,086	57.5
Total	**5,495,962**	**100.0**	5,378,404	100.0

At 30 June 2016, our short-term corporate loans increased by RMB18,082 million, or 0.8%, compared to the end of the previous year. Medium- and long-term corporate loans increased by RMB99,476 million, or 3.2%, compared to the end of the previous year, with its proportion to the total corporate loans increased by 0.6 percentage point to 58.1%.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Manufacturing	**1,348,599**	**24.5**	1,367,358	25.4
Production and supply of power, heat, gas and water	**632,892**	**11.5**	592,832	11.0
Real estate	**512,299**	**9.3**	526,408	9.8
Transportation, logistics and postal services	**960,526**	**17.5**	893,535	16.6
Wholesale and retail	**462,412**	**8.4**	504,342	9.4
Water, environment and public utilities management	**212,227**	**3.9**	205,021	3.8
Construction	**217,609**	**4.0**	210,539	3.9
Mining	**239,377**	**4.4**	249,938	4.7
Leasing and commercial services	**528,367**	**9.6**	453,344	8.4
Finance	**122,569**	**2.2**	130,682	2.4
Information transmission, software and IT services	**21,575**	**0.4**	26,929	0.5
Others	**237,510**	**4.3**	217,476	4.1
Total	**5,495,962**	**100.0**	5,378,404	100.0

Note: Loans in the above table are based on the industries in which the borrowers operate. Real estate loans include loans for the development of real estate projects granted to enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans granted to enterprises in the real estate industry. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

At 30 June 2016, the five major industries of our corporate loans included: (1) manufacturing, (2) transportation, logistics and postal services, (3) production and supply of power, heat, gas and water, (4) leasing and commercial services, and (5) real estate. Aggregate loans to such five major industries accounted for 72.4% of our total corporate loans, representing an increase of 1.2 percentage points compared to the end of the previous year. The two industries with the largest increase in proportion to our total corporate loans were leasing and commercial services and transportation, logistics and postal services, while wholesale and retail sector and manufacturing sector recorded the largest decreases in proportion to total corporate loans.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2016		31 December 2015	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Residential mortgage loans	**2,238,052**	**73.5**	1,927,018	70.7
Personal consumption loans	**167,315**	**5.5**	179,453	6.6
Loans to private businesses	**216,438**	**7.1**	230,223	8.4
Credit card overdraft	**229,297**	**7.5**	222,206	8.1
Loans to rural households	**194,698**	**6.4**	167,695	6.1
Others	**1,158**	**0.0**	1,295	0.1
Total	**3,046,958**	**100.0**	2,727,890	100.0

Our residential mortgage loans amounted to RMB2,238,052 million, representing an increase of RMB311,034 million, or 16.1%, compared to the end of the previous year, primarily because we actively supported households in purchasing condominiums for non-investment purpose for the first time or to improve current living conditions, and vigorously supported rural residents to purchase residential properties in urban areas.

Personal consumption loans amounted to RMB167,315 million, representing a decrease of RMB12,138 million, or 6.8%, compared to the end of the previous year. Loans to private businesses amounted to RMB216,438 million, representing a decrease of RMB13,785 million, or 6.0%, compared to the end of the previous year. The decreases in personal consumption loans and loans to private businesses were primarily because we proactively adjusted the structure of our retail loan business adapting to the changes of the retail loan market.

Credit card overdraft amounted to RMB229,297 million, representing an increase of RMB7,091 million, or 3.2%, compared to the end of the previous year, primarily due to the rapid growth in consumption through credit card in the first half of the year, which led to an increase in credit card overdraft.

Loans to rural households increased by RMB27,003 million, or 16.1%, over the end of the previous year to RMB194,698 million, mainly because we provided more support to the new agricultural business entities.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**261,920**	**2.8**	215,418	2.4
Yangtze River Delta	**2,149,285**	**22.9**	2,048,393	23.0
Pearl River Delta	**1,371,131**	**14.6**	1,263,044	14.2
Bohai Rim	**1,487,372**	**15.8**	1,463,574	16.4
Central China	**1,224,629**	**13.0**	1,132,516	12.7
Northeastern China	**382,084**	**4.1**	364,412	4.1
Western China	**2,090,129**	**22.2**	1,975,929	22.2
Overseas and others	**429,288**	**4.6**	446,632	5.0
Total	**9,395,838**	**100.0**	8,909,918	100.0

During the reporting period, we further optimized the allocation of loans with continuous priorities given to Central and Western China. We implemented a strategic credit allocation to branches in free trade zones and key regions for national development strategies, such as the Belt and Road Initiative, "Coordinated Development of the Beijing-Tianjin-Hebei Region" and Yangtze River Economic Belt, resulting in balanced increase of loans across the whole bank.

Investments

At 30 June 2016, our net investment in securities and other financial assets amounted to RMB5,042,556 million, representing an increase of RMB530,509 million as compared to the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

Item	30 June 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	**4,401,271**	**87.3**	3,849,480	85.3
Restructuring-related debt securities	**365,323**	**7.2**	365,323	8.1
Equity instruments	**11,511**	**0.2**	9,308	0.2
Others[1]	**264,451**	**5.3**	287,936	6.4
Total	**5,042,556**	**100.0**	4,512,047	100.0

Note: 1. Others primarily include the assets related to our investment of the proceeds raised from the issuance of wealth management products.

At 30 June 2016, non-restructuring-related debt securities investments increased by RMB551,791 million over the end of the previous year, primarily because we captured investment opportunities of the market and appropriately increased our investment in debt securities by devoting greater effort to macro-economic analysis and market researches.

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

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Government bonds	**1,601,183**	**36.4**	1,231,289	32.0
PBOC bills	**21,271**	**0.5**	21,404	0.6
Bonds issued by policy banks	**1,538,390**	**34.9**	1,481,902	38.4
Bonds issued by other banks and financial institutions	**627,771**	**14.3**	490,978	12.8
Bonds issued by entities in public sectors and quasi-governments	**157,136**	**3.6**	157,024	4.1
Corporate bonds	**455,520**	**10.3**	466,883	12.1
Total	**4,401,271**	**100.0**	3,849,480	100.0

In the first half of 2016, we conducted an in-depth analysis of domestic and foreign macro-economic conditions, supported the government's proactive fiscal policies and its reform initiative of cutting overcapacity, and closely monitored changes in debt securities market and the evolving nature of credit default events. This enabled us to make the adjustments to our investments and strengthen our risk control and moderately increase investments in local government bonds, financial institution bonds and interbank certificates of deposit and reducing low rating credit bonds and credit bonds issued by borrowers operating in overcapacity industries.

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

In millions of RMB, except for percentages

Remaining Maturity	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Overdue	**1**	**–**	1	–
Less than 3 months	**246,854**	**5.6**	183,959	4.8
3-12 months	**647,882**	**14.7**	585,009	15.2
1-5 years	**2,105,981**	**47.9**	1,865,430	48.4
More than 5 years	**1,400,553**	**31.8**	1,215,081	31.6
Total	**4,401,271**	**100.0**	3,849,480	100.0

In the first half of 2016, we appropriately adjusted the maturity structure of our investment portfolio by accurately assessing the volatility trend of the yield in the debt securities market. We appropriately adjusted our investments in long-term bonds when the yield of the bonds was high in the first half of 2016.

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

In millions of RMB, except for percentages

	30 June 2016		31 December 2015	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	**4,189,004**	**95.2**	3,709,060	96.4
USD	**169,317**	**3.8**	100,809	2.6
Other foreign currencies	**42,950**	**1.0**	39,611	1.0
Total	**4,401,271**	**100.0**	3,849,480	100.0

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

	30 June 2016		31 December 2015	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss[1]	**444,793**	**8.8**	439,261	9.7
Available-for-sale financial assets	**1,345,567**	**26.7**	1,214,542	26.9
Held-to-maturity investments	**2,662,523**	**52.8**	2,300,824	51.0
Debt securities classified as receivables	**589,673**	**11.7**	557,420	12.4
Total	**5,042,556**	**100.0**	4,512,047	100.0

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

Investment in Financial Bonds

Financial bonds refer to debt securities issued by the policy banks, commercial banks and other financial institutions, which are to be repaid pursuant to a pre-determined schedule. At 30 June 2016, the balance of financial bonds held by the Bank was RMB2,166,161 million.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 30 June 2016.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2014 policy bank bonds	18,710	5.44%	2019/4/8	–
2015 policy bank bonds	16,700	3.97%	2025/2/27	–
2014 policy bank bonds	13,600	5.61%	2021/4/8	–
2016 policy bank bonds	13,480	3.01%	2021/1/6	–
2014 policy bank bonds	12,280	5.67%	2024/4/8	–
2015 policy bank bonds	11,730	4.21%	2025/4/13	–
2013 policy bank bonds	11,200	3.98%	2016/7/18	–
2015 policy bank bonds	11,160	4.02%	2020/1/14	–
2015 policy bank bonds	11,090	3.99%	2025/2/9	–
2016 policy bank bonds	11,040	3.07%	2021/2/22	–

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

Liabilities

At 30 June 2016, our total liabilities increased by RMB841,911 million, or 5.1%, over the end of the previous year to RMB17,421,419 million. Deposits from customers increased by RMB986,477 million or 7.3%. Deposits and placements from banks and other financial institutions decreased by RMB120,370 million, or 7.8%, primarily because the Bank reduced high-cost inter-bank business. Financial assets sold under repurchase agreements increased by RMB72,443 million, or 81.6%, primarily due to the increase in the bills sold under repurchase agreements. Debt securities issued decreased by RMB38,648 million, or 10.1%, primarily due to the maturity of some debt securities issued previously.

Key Liabilities Items

In millions of RMB, except for percentages

Item	30 June 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	**14,524,837**	**83.4**	13,538,360	81.7
Deposits and placements from banks and other financial institutions	**1,417,290**	**8.1**	1,537,660	9.3
Financial assets sold under repurchase agreements	**161,247**	**0.9**	88,804	0.5
Debt securities issued	**344,094**	**2.0**	382,742	2.3
Financial liabilities at fair value through profit and loss	**312,899**	**1.8**	430,443	2.6
Other liabilities	**661,052**	**3.8**	601,499	3.6
Total	**17,421,419**	**100.0**	16,579,508	100.0

Deposits from Customers

At 30 June 2016, the balance of deposits from customers increased by RMB986,477 million, or 7.3%, over the end of the previous year to RMB14,524,837 million. In terms of customer structure, the proportion of corporate deposits increased by 1.3 percentage points over the end of the previous year to 36.9%. With respect to the maturity of deposits, the proportion of demand deposits increased by 0.9 percentage point over the end of the previous year to 53.5%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

Item	30 June 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	**14,429,495**	**99.3**	13,449,015	99.3
Corporate deposits	**5,366,680**	**36.9**	4,821,751	35.6
Time	**1,796,384**	**12.4**	1,599,187	11.8
Demand	**3,570,296**	**24.5**	3,222,564	23.8
Retail deposits	**8,559,806**	**58.9**	8,065,556	59.6
Time	**4,344,294**	**29.9**	4,166,985	30.8
Demand	**4,215,512**	**29.0**	3,898,571	28.8
Other deposits[1]	**503,009**	**3.5**	561,708	4.1
Overseas and others	**95,342**	**0.7**	89,345	0.7
Total	**14,524,837**	**100.0**	13,538,360	100.0

Note: 1. These include margin deposits, remittance payables and outward remittance and other deposits.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Head Office	**66,406**	**0.5**	74,161	0.5
Yangtze River Delta	**3,170,414**	**21.8**	2,974,911	22.0
Pearl River Delta	**2,014,913**	**13.9**	1,846,193	13.6
Bohai Rim	**2,564,911**	**17.7**	2,418,137	17.9
Central China	**2,481,790**	**17.1**	2,277,151	16.8
Northeastern China	**756,787**	**5.2**	710,741	5.2
Western China	**3,374,274**	**23.2**	3,147,721	23.3
Overseas and others	**95,342**	**0.6**	89,345	0.7
Total	**14,524,837**	**100.0**	13,538,360	100.0

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Demand	**8,278,666**	**57.0**	7,673,376	56.7
Less than 3 months	**1,441,987**	**9.9**	1,681,820	12.4
3-12 months	**3,073,191**	**21.2**	2,553,458	18.9
1-5 years	**1,730,992**	**11.9**	1,629,705	12.0
More than 5 years	**1**	**–**	1	–
Total	**14,524,837**	**100.0**	13,538,360	100.0

Shareholders' Equity

At 30 June 2016, our shareholders' equity amounted to RMB1,258,802 million, of which ordinary shares were RMB324,794 million, preference shares were RMB79,899 million, capital reserve was RMB98,773 million, investment revaluation reserve was RMB19,576 million, surplus reserve was RMB96,811 million, general reserve was RMB198,148 million and retained earnings were RMB438,172 million. Net assets per share was RMB3.62, representing an increase of RMB0.14 compared to the end of the previous year.

Composition of Shareholders' Equity

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Ordinary shares	**324,794**	**25.8**	324,794	26.8
Preference shares	**79,899**	**6.4**	79,899	6.6
Capital reserve	**98,773**	**7.8**	98,773	8.2
Investment revaluation reserve	**19,576**	**1.6**	22,429	1.8
Surplus reserve	**96,811**	**7.7**	96,748	8.0
General reserve	**198,148**	**15.7**	175,606	14.5
Retained earnings	**438,172**	**34.8**	412,005	34.0
Foreign currency translation reserve	**160**	**–**	(163)	–
Non-controlling interests	**2,469**	**0.2**	1,794	0.1
Total equity	**1,258,802**	**100.0**	1,211,885	100.0

Off-balance Sheet Items

Our off-balance sheet items primarily comprise derivative financial instruments, contingent liabilities and commitments. We enter into derivative financial instruments relating to exchange rates, interest rates and precious metals for the purposes of trading, managing assets and liabilities and transactions on behalf of customers. Our contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, and reserves for legal proceedings.

Credit commitments are major components of the off-balance sheet items and include loan commitments, bank acceptances, guarantee and letters of guarantee, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	31 December 2015 Amount	31 December 2015 Percentage (%)
Loan commitments	**533,495**	**34.4**	450,433	30.4
Bank acceptances	**376,577**	**24.3**	382,255	25.8
Guarantee and letters of guarantee	**222,119**	**14.3**	233,376	15.7
Letters of credit	**139,500**	**9.0**	158,905	10.7
Credit card commitments	**278,338**	**18.0**	258,745	17.4
Total	**1,550,029**	**100.0**	1,483,714	100.0

Other Financial Information

Changes in Accounting Policies

There was no significant change in accounting policies during the reporting period. Please refer to "Note 3. Principal Accounting Policy" to the Condensed Consolidated Interim Financial Statements for more detail.

Differences between the financial statements prepared under IFRSs and those prepared under CASs

There was no difference between the net profit or shareholders' equity in the consolidated financial statements prepared under CASs and those prepared under IFRSs by the Bank, respectively.

Equity Investment in Other Companies

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

Name of investee company	Investment cost (RMB Yuan)	Number of shares held at the beginning of the period (10,000 shares)	Shareholding percentage at the beginning of the period (%)	Number of shares held at the end of the period (10,000 shares)	Shareholding percentage at the end of the period (%)	Book value at the end of the period (RMB Yuan)	Accounting item	Source of shares
Sino-Congolese Bank of Africa	288,688,574	5	50.0	5	50.0	269,759,688	Investment in associate	Investment of self-owned capital
Shenzhen Financial Electronic Settlement Centre	20,757,641	2,076	16.7	2,076	16.7	20,757,641	Available-for-sale financial assets	Investment of self-owned capital
China UnionPay Co., Ltd.	146,250,000	11,250	3.8	11,250	3.8	146,250,000	Available-for-sale financial assets	Investment of self-owned capital
OTC Clearing Hong Kong Limited	16,561,118	0.01	2.1	0.01	2.1	16,560,810	Available-for-sale financial assets	Investment of self-owned capital
Shaanxi Coal and Chemical Industry Group Finance Co., Ltd.	99,999,980	10,000	10.0	10,000	10.0	82,970,983	Financial assets at fair value through profit or loss	Investment of self-owned capital
Sichuan Yibin Wuliangye Group Finance Co., Ltd.	389,999,920	39,000	19.5	39,000	19.5	391,871,789	Financial assets at fair value through profit or loss	Investment of self-owned capital
Amundi Asset Management	1,106,249,952	400	2.0	400	2.0	925,562,460	Financial assets at fair value through profit or loss	Investment of self-owned capital

Note: The equity interests in other listed companies and financial enterprises specified above are our shareholding exceeding 1% at the end of the period, which are recognized as investment in associate, financial assets at fair value through profit or loss and available-for-sale financial assets.

Business Review

Corporate Banking

In the first half of 2016, the Bank proactively managed to accommodate the "new normal" of the economic development, further promote the transformation of its corporate banking business and continuously improved its comprehensive financial service capability. Implementing national industrial policies, the Bank strongly supported infrastructure construction projects such as railway, hydraulic engineering and interconnectivity facilities. The Bank also provided financing to a number of strong projects in strategic emerging industries such as advanced manufacturing and "green" business. The Bank further increased its support to modern service industries, such as tourism, health care and retiree services. Conforming to regional development strategies, the Bank formulated synergistic cooperation policies for the Yangtze River Economic Zone, Xinjiang province and Northeast China, in order to support the corporate business development in these key regions and to leverage synergies. In line with global strategies such as the Belt and Road Initiative, the "Go Out" policy, and the internationalization of the RMB, the Bank strengthened the synergies between its domestic and overseas businesses, vigorously developed activities to promote free trade zone business, and focused on cross-border merger and acquisition projects as well as cross-border investment projects, so as to continuously optimize its cross-border financial services. The Bank also invested more resources to support high quality projects in key construction projects for the improvement of people's livelihoods, such as the rebuilding of shanty areas, old city renovation and the construction of affordable housing. The Bank seeks to further build its brand for new-type urbanization financial services. In order to enhance product marketing, the Bank continued to develop innovative products for key businesses, including supply chain financing, cash management and investment banking, and proactively promoted cross-market and cross-border financing products. The Bank proactively expanded high-end investment banking activities, including bond underwriting, asset securitization and syndicated loans, and accelerated the transformation for investment banking business. The Bank also strengthened the synergies between investment banking and credit business, and enhanced the integrated financing service capability through the "equity+debt" model.

At the end of June 2016, we had 3.75 million corporate banking customers, of which 68 thousand customers had outstanding loan balances.

Corporate Loans and Deposits

During the reporting period, consistent with our intense focus on efficient funding, promotion of financial services and enhancement of our product research and development as well as sales, our corporate deposits achieved a steady growth. At 30 June 2016, the balance of our domestic corporate deposits amounted to RMB5,366,680 million, representing an increase of RMB544,929 million, or 11.3%, over the end of the previous year.

Supporting China's overall initiative of "stabilizing growth, facilitating reforms, restructuring the economy and benefiting people's livelihoods", the Bank proactively served the real economy. Focusing on marketing to key industries, large projects and core customers, we accelerated the reserve of key marketing projects, such as construction of infrastructure facilities, renovation of shanty areas, renovation of hydraulic engineering projects and industrial upgrades, and effectively supported a number of key projects. As at 30 June 2016, the balance of our domestic corporate loans and discounted bills amounted to RMB5,919,592 million, representing an increase of RMB184,196 million, or 3.2%, over the end of the previous year. 4,487 projects were included in our database of national key marketing projects, increased by 1,736 projects as compared to the end of the previous year. Total loans providing to the key marketing projects during the first half of the year amounted to RMB138,732 million, an increase of RMB40,241 million as compared to the corresponding period in the previous year.

The Bank continued to optimize the structure of its real estate loans and improve post-disbursement management to prevent risks related to real estate loans. At 30 June 2016, the balance of real estate loans to corporate customers amounted to RMB309,814 million, representing a decrease of RMB47,333 million over the end of the previous year.

Small and Micro Enterprise Banking Business

The Bank optimized the structure of its small and micro enterprise customers, focusing on serving small and micro enterprises in line with the "Made in China 2025 policy" and on strategic emerging industries, as well as technology-oriented and innovation-oriented small and micro enterprises. The Bank continued construction of specialized institutions for small and micro enterprise banking business, according to the principles of separate credit plans, separate allocation of human resources and financial resources, separate customer identification and credit review and separate accounting. With the implementation of the "Internet +" action plan, the Bank launched and improved financial products such as "Data Net Loan" and "Internet Quick Loan". The Bank also used the Internet, big data and other new technologies to innovate financial service models for small and micro enterprises.

As at 30 June 2016, loans to small and micro enterprises amounted to RMB1,161,406 million, representing an increase of RMB73,178 million or 6.7% over the end of the previous year. The growth rate was higher than that of the total loans of the Bank by 1.2 percentage points.

Institutional Banking

As at the end of June 2016, the Bank had established agency business cooperation arrangements with 208 banks with expanded areas of cooperation. The Bank had also offered third-party depositary services to 98 security firms and the number of our contracted customers reached 29.2279 million. The average daily balance of funds deposited in the first half of the year amounted to RMB230,910 million. The Bank collected new insurance premiums of RMB214,534 million in the first half of the year, representing an increase of 84% over the corresponding period of the previous year. Total income from bancassurance amounted to RMB7,064 million, representing an increase of 92% over the same period of the previous year. The Bank had held the largest market share in terms of income for six consecutive years among the big four commercial banks in China.

The Bank promoted its integrated financial services in areas including public finance, social security, people's livelihoods and culture, and increased its credit support to schools, hospitals and hydraulic engineering projects. Agencies for business cards, campus cards and social security cards as well as collection and payment of treasury funds, social security funds and housing funds achieved rapid growth.

Settlement and Cash Management

Payment and Settlement

During the reporting period, the Bank put greater effort into promoting the opening of new corporate settlement accounts, enhanced the cross-selling of corporate settlement products, and continuously improved the structure of corporate settlement accounts. As of the end of June 2016, the Bank had 4,595.6 thousand RMB-denominated corporate settlement accounts, representing an increase of 99.9 thousand accounts or 2.2% over the end of the previous year.

Cash Management

During the reporting period, the Bank continuously enhanced the marketing and expanded services offering for cash management customers, with focus on promoting products such as Easy Collection & Payment, Bill Pool and Guaranteed Payment, so as to satisfy the fund management demand of customers. By centralizing the operation of RMB and foreign currencies, consolidating business cooperation with foreign investment banks and strengthening its marketing efforts among international companies, the Bank vigorously developed its global cash management business. As of the end of June 2016, the Bank had 1,717.1 thousand cash management customers[1].

Trade Financing and International Settlement

The Bank continuously optimized its integrated cross-border financial service system. The Bank proactively expanded coverage of trade financing products, such as export credit insurance and financing, international factoring and financing under short-term export special risk insurance, and promoted derivative products denominated in both RMB and foreign currency. Its major businesses, such as international settlement, sales and settlement of foreign exchange and trade financing business, achieved steady and healthy growth. The Bank vigorously promoted the development of its cross-border RMB business, and steadily carried out business related to cross-border RMB capital projects. The Bank also pushed forward the innovation and development of pilot businesses in free trade zones, with a number of products being recognized as local financial innovation models for free trade zones. In the first half of 2016, the total volume of international trade financing (including financing under domestic letters of credit) granted by the domestic branches of the Bank reached an amount of RMB374,019 million, the total volume of international settlement granted by the domestic branches of the Bank reached an amount of USD439,116 million. The domestic branches of the Bank issued letters of foreign guarantee with an cumulative amount of USD16.255 billion, and completed cross-border RMB-denominated settlement with an amount of RMB541.011 billion.

Investment Banking

The Bank further promoted transformation for investment banking business. Through proactively expanding its high-end investment banking businesses, including bond underwriting, syndicated loans, asset securitization, merger and acquisition loans and green finance, the Bank continuously improved its ability to serve the real economy with investment banking products. The Bank proactively acted as a lead manager or participated in large syndicated lending projects, which were intended to support key customers and major projects. The Bank also carried out innovative syndicated projects, such as merger and acquisition syndicated loans, and cross-border syndicated loans, as well as syndicated projects for improving people's livelihoods. In the first half of 2016, the Bank underwrote 177 debt instruments with an aggregate amount of RMB218,515 million, representing an increase of 14.8% compared to the corresponding period of the previous year. The Bank underwrote 14 financial debts with an aggregate amount of RMB23,190 million, representing an increase of 411.5% compared to the corresponding period of the previous year.

1 *In 2016, the Bank adjusted the classification of cash management customers. Newly included in the classification are customers of corporate settlement card and bill pool products.*

Retail Banking

In the first half of 2016, the Bank continuously deepened the transformation of its retail banking business, and accelerated product innovation as well as optimization and upgrading of channels. The Bank vigorously improved customer experience and gradually improved the market competitiveness of various businesses. The Bank intensely promoted the integrated marketing and cross-selling of its retail business, so as to effectively satisfy the diversified and customized demands for financial services. As of the end of June 2016, the Bank had 484 million retail customers, including more than 26 million VIP retail customers.

Retail loans

In the first half of 2016, the Bank actively supported the cutting inventory in the real estate market, and experienced a steady increase in residential mortgage loans by effectively supporting households to purchase condominiums for non-investment purpose for the first time or to improve current living conditions, and strongly aiding farmers to buy residential properties in urban area. The Bank continued to develop new methods and enhance support for issuing retail consumption loans. With the launch of online small loan for credit consumption and pledge consumption loan, the Bank managed to provide whole process of online consumption financial services. This effectively satisfied the financing needs of our existing mortgage loan customers, corporate customers in strong industries and leading companies, as well as customers living on middle-to-low incomes. As of the end of June 2016, the balance of residential mortgage loans amounted to RMB3,046,958 million, representing an increase of RMB319,068 million or 11.7% from the end of the previous year.

Retail Deposits

The Bank devoted diligent efforts to attract funds from customers by strengthening its channels effectiveness, accounts and our settlement service capacity, and enhancing synergies between its corporate and retail businesses. The Bank also put significant effort into marketing our settlement and account products, to consolidate our advantages of low-cost debts. The Bank achieved a steady growth in retail deposits. As at 30 June 2016, the balance of retail deposits amounted to RMB8,559,806 million, representing an increase of RMB494,250 million or 6.1% from the end of the previous year.

Bank Cards

To meet the diversified needs of individual customers, the Bank expanded its debit card products, innovating an array of themed and featured cards, such as the Beijing-Tianjin-Hebei Coordination Card, Jinsui Low-carbon Eco-card, Jinsui Pretty Card and Jinhui Lucky Card. The Bank launched a series of marketing activities in conjunction with various types of merchants in hotel, retail and catering industries, thereby effectively enhancing the usage and popularity of our debit cards. As of the end of June 2016, the Bank had issued 845 million debit cards in total, representing an increase of 32 million over the end of the previous year and ranking first among the big four banks in China. Of this amount, 461 million IC debit cards were included, representing an increase of 51 million from the end of the previous year.

The Bank put intensive effort into promoting cross-selling and synergetic marketing by expanding its Internet-based card issuance channels, such as Internet banking and mobile phones, continuing to carry out promotion campaigns, accelerating the development of payment by instalment for vehicle purchases and promoting its cash instalment business. This resulted in improved profitability for its credit card business. As at 30 June 2016, the number of credit cards[1] cumulatively issued by the Bank reached 63.7481 million, and dedicated credit card merchants reached a number of 1.1116 million. The transaction volume of our credit cards for the first half of the year amounted to RMB646,241 million.

Item	30 June 2016	31 December 2015	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	**84,521.86**	81,275.29	4.0
Number of credit cards issued (unit: 10,000)	**5,866.89**	5,323.18	10.2

	Six months ended 30 June 2016	Six months ended 30 June 2015	Growth Rate (%)
Transaction volume for debit cards (RMB100 million)	**31,434.12**	34,685.24	-9.4
Transaction volume for credit cards (RMB100 million)	**6,428.27**	5,397.95	19.1

Private Banking Business

During the reporting period, the Bank fully enhanced its asset management capabilities of private banking business with a focus on research and the development of entrusted asset management products. By focusing on family trusts, the Bank established an integrated attentive service system combining legal, taxation, consulting and value-added services to fully satisfy the needs of our private banking customers through multiple channels, as well as synergetic development between corporate and retail businesses, and between domestic and overseas business. The Bank implemented customer-list-based management for our private banking customers to help us to specify our service responsibilities on such customers. The Bank performed well in its talent training for our private banking line with a view to creating a wealth management consulting team that possessed high quality, strong capability and skilled in marketing. At the end of June 2016, the Bank had 34 private banking departments in tier-1 branches and 101 wealth management centres in tier-1 branches providing services to private banking customers and the number of private banking customers was 79,700. The balance of assets under our management was RMB934.4 billion, representing an increase of 15.7% over the end of the previous year. The volume of exclusive private banking products amounted to RMB106,100 million.

1 *Credit cards including credit card and quasi-credit card.*

Treasury Operations

The treasury operations of the Bank include money market activities and investment and trading activities. Adhering to the principle of prudent operations, and flexibly coping with changes in domestic and foreign economic and financial markets, the Bank adjusted its investment strategies timely, and improved its risk management capability continuously. The Bank's return on operating assets remained at a high level in banking industry.

Money Market Activities

On 1 March 2016, the PBOC cut the deposit-reserve ratio by 0.5 percentage points. The PBOC upgraded its dynamic adjustment mechanism of differentiated reserve requirement ratios and its management mechanism for consensus loan, to the macro-prudential assessment (MPA), in order to improve regulation over financial institutions' credit and strengthen its preventative measures against systemic financial risks. Meanwhile, the PBOC flexibly adjusted the liquidity of each term through its policy tools, such as open market operations, medium-term lending facility ("MLF"), pledged supplementary lending ("PSL") and Treasury cash management, in order to support the real economy by reducing financing costs of corporations of each term.

In the course of interest rate liberalization, the Bank strengthened its monetary policy research and market liquidity forecasting. The Bank expanded active debt channels by means of, among other things, open market operations, MLF and money market financing to secure its liquidity and to improve the efficiency of capital. In the first half of 2016, the Bank's RMB-denominated financing transactions amounted to RMB13,610,455 million, including lending of RMB9,687,046 million and borrowing of RMB3,923,409 million. The Bank developed inter-bank certificates of deposit and actively performed its duties as a market maker. The transaction volume of certificates of deposit amounted to 79,175 million in the first half of 2016, representing an increase of 62% compared to the same period of last year.

Meanwhile, the Bank maintained a prudent strategy for its foreign currency financing activities, monitored changes in monetary policies of developed economies and the impact of big events at home and abroad, such as Brexit, and maintained the maturity of funding within an appropriate range.

Investment and Trading Activities

As at 30 June 2016, the Bank's net investment in securities and other financial assets amounted to RMB5,042,556 million, representing an increase of RMB530,509 million compared to the end of the previous year.

Trading Activities

The yield of the bond market fluctuated within a manageable range in the first half of 2016. The Bank closely monitored changes in the bond market and increased positions of transaction portfolios gradually when the yield was on the upside in early 2016, in order to increase the income of portfolios. Meanwhile, the Bank flexibly adjusted the composition and maturity of its trading portfolio, and embarked upon position trading when the yield of the bond market fluctuated within an expected range, resulting in good investment returns.

Banking Book Activities

In the first half of 2016, by effectively interpreting the interest rate trend in the bonds market, the Bank increased investment when the yield rate was high. Meanwhile, the Bank enhanced its sophisticated management of credit bonds, and strengthened pre-judgement and prevention of risks. Through operations between the primary market and secondary market, and through dynamically adjusting its investment portfolio. This resulted the Bank's yield on its investment portfolio maintained the leading position in the banking industry. Meanwhile, adhering to a prudent foreign currency investment strategy, enabled the Bank to control the interest rate risk of its portfolio. The Bank appropriately expanded the scale of its portfolio and invested in bonds with high credit ratings, resulting in a more refined structure of the portfolio. At 30 June 2016, the balance of the Bank's foreign bonds investment portfolio for its own account amounted to RMB212,267 million.

Asset Management

Wealth Management

The Bank continued to implement a specialized operation and differentiated management of its wealth management business, and continuously improved the quality and efficiency of its customer service. During the reporting period, the Bank continued to refine its product categories in line with the needs of customers, enriched the variety and competitiveness of products and enhanced research and development of open-ended wealth management products. The Bank provided a 7*24 hours subscription and redemption service for wealth management products, so as to improve product liquidity and improve customer experience. At 30 June 2016, the balance of wealth management products amounted to RMB1,553,417 million, including retail wealth management products of RMB1,044,685 million and corporate wealth management products of RMB508,732 million.

Custody Service

As at 30 June 2016, the Bank had RMB8,284,983 million of assets under custody, representing an increase of 16% over the end of the previous year. In the first half of 2016, the Bank's custody and other fiduciary service fees amounted to RMB1,802 million, representing an increase of 7.3% over the same period of the previous year.

Pension Business

In the first half of 2016, the Bank vigorously developed its pension business. The Bank succeeded in the marketing of the annuities and semi-annuities projects of several well-known enterprises. As at 30 June 2016, pension funds under the Bank's custody amounted to RMB364,481 million, representing an increase of 14.5% over the end of the previous year.

Precious Metal Business

In the first half of 2016, precious metal prices soared, driven by risk aversion in the market. Customers' trading demands significantly increased. Presently, the Bank had in place a sound system for its precious metal business, including the sale of the "Chuan Shi Zhi Bao" series of physical precious metals, "Cun Jin Tong", trading on behalf of individuals and corporations at the Shanghai Gold Exchange, account-based precious metal transactions for individuals, a gold lease business, trading on behalf of corporate customers for derivatives of precious metal, etc. In the first half of 2016, the Bank became one of the first market makers for the inter-bank gold inquiry market and participated in auction quotations and transactions of "Shanghai Gold" as one of the first batch of quotation members. In the first half of 2016, the Bank traded 1,500.01 tons of gold and 22,435.67 tons of silver for its own account as well as on behalf of customers, representing an increase of 9% and 69.5%, respectively, compared to the same period of the previous year.

Treasury Transactions on behalf of Customers

As the liberalization of the RMB exchange rate accelerated, the Bank promoted innovations in treasury transactions on behalf of customers by developing foreign exchange settlement derivatives, such as risk reversal, capped forward and dual-currency deposits, so as to meet the diversified needs of customers for capital hedging and safe-havens, and improve the competitiveness of treasury transactions on behalf of customers. In June 2016, the Bank became one of the first market makers for direct transactions between RMB and both the Rand and Korean Won. In the first half of 2016, the transaction volume of foreign exchange settlements on behalf of customers amounted to USD127.4 billion, and that of foreign exchange trading on behalf of customers amounted to USD7.8 billion.

Agency Distribution of Fund Products

During the reporting period, China's capital market experienced sharp fluctuations. Focusing on the optimization of customers' fund portfolios, the Bank closely cooperated with outstanding fund companies to develop innovative products in line with market trends. Great effort was also put into the initial offering of trustee funds and the sustainable marketing of well-performing funds. The Bank launched "Bai Cheng Wan Jia" Funds Salon, and provided discounts on subscription of AIP and fund portfolios, to intensify its customer service. In the first half of 2016, the Bank cumulatively distributed fund products of RMB93.1 billion.

Agency Sales of PRC Government Bonds

During the reporting period, the Bank issued six batches of savings treasury bonds as an agent, including two batches of savings treasury bonds (in certificated form) with actual sales of RMB8,580 million and four batches of savings treasury bonds (in electronic form) with actual sales of RMB11,615 million.

Green Finance

In the field of green finance in China, we are not only a major proponent, but also a pioneer and major promoter.

Green Credit

We conscientiously implemented the State's industrial policies, environmental protection policies and financial regulatory requirements, and applied green credits as a critical foothold for fulfilling our social responsibilities, serving the real economy and adjusting our credit structure.

As of the end of June 2016, our green credit indicators have covered credit policies for 18 industries, i.e. cement, iron and steel, petrochemical, flat glass, wind power, photovoltaic and construction, involving 7,681 customers. The balance of loans related to green credit amounted to RMB575,118 million, representing an increase of RMB31,987 million compared to the end of the previous year.

The Bank continuously exercised strict control over the loans to industries with high energy consumption, high pollution or overcapacity. The Bank didn't offer credit to customers who didn't meet the national standards in respect of environment, energy, technology and safety. The admission authority for industries with serious overcapacity was transitioned to the Head Office. The customers classified as "decline" and "withdrawal" in industries with high energy consumption, high pollution or overcapacity were all listed in the annual withdrawal plan for customers with potential risks, and the Bank continued to reduce loans granted to those customers and enhanced the withdrawal.

Green Bonds

During the reporting period, the Bank, as one of the joint lead underwriters, underwrote the first tranche of 2016 Green Financial Bonds of Industrial Bank Co., Ltd.. The issuer rating and facility rating were both AAA, with a term of 3 years in the amount of RMB10 billion and an interest rate of 2.95%. All the funds raised would be used for green projects.

Green Finance International Cooperation

During the Reporting Period, the Bank signed the Purchasing Contract of the Agricultural Bank of China for Green Credit Consultation Program with the International Finance Corporation (IFC). The two parties will be committed in all-round cooperation in three major aspects, i.e. establishment of the green finance system, issuance of green asset-backed securities and establishment of the green internet finance platform. The project progressed smoothly. The research report related to the finance serving the green industry was completed and the asset pool selection criteria for green credit asset-backed securitization was preliminarily established. The subsequent stage of the project was steadily advanced.

Distribution Channels

Branch Outlets

In the first half of 2016, focusing on the improvement of services, enhancement of efficiency and structural optimization of branch outlets, the Bank also accelerated the standardized management of outlets and the branch outlet refinement project of "Four Actions", namely addition, reduction, reallocation and enhancement. The Bank increased support to inclusive finance, and set up more than 300 off-bank self-service banks in County Areas, which effectively expanded its service coverage in villages and towns.

Electronic banking

Adhering to the changing financial needs of customers in the "Internet +" era, the Bank expanded tremendous effort in product innovation, deeply supported the use of products in various circumstances, improved customer experience and enhanced customer activity by quickening the marketing pace of mobile banking and e-commerce banking. In the first half of 2016, with the stable growth in the number of customers through electronic channels, and transaction volumes, the profitability of the Bank further increased. In the first half of 2016, the Bank also recorded 13,120 million of financial transactions through electronic channels. The financial transactions through electronic channels accounted for 94.3% of the total number of financial transactions.

Internet Banking

The Bank continued to improve the platforms for electronic banking basic transaction and service, promote innovation of internet banking and website services, and restructure the product and service system of internet banking. The Bank reinforced the strategic key business edges on areas such as payment and settlement, investment and wealth management and continuously improved customer experience. As of the end of June 2016, the Bank had 160 million of registered retail internet banking customers, 4,142,000 of corporate internet banking customers.

Telephone Banking

The Bank continued to refine the telephone banking voice self-services, provided a channel for operating services of online accounts, and centralized the business systems of some branches, to improve customer experience with unified and friendly services. In the first half of 2016, the Bank received 188 million calls via the 95599 customer service centre, and 41.38 million calls were answered by customer service staffs with a completion rate of 88.21%.

Mobile Banking

By closely following the internet trend, the Bank focused on innovation of mobile banking service models. The Bank fully upgraded the mobile client to highlight three features, "Socializing, Locating and Mobile". The Bank improved the service quality by refining the layouts, design of pages, interaction and contents. As of the end of June 2016, the Bank had 150 million of mobile banking customers with a transaction volume of RMB8.4 trillion in the first half of 2016, representing an increase of 73.2% over the same period of the previous year. The bank had more than 22 million of WeChat Banking customers.

E-commerce

The Bank accelerated the deployment of e-commerce banking business, and continued to refine product functions. As of the end of June 2016, the Bank had 418,000 e-commerce banking customers, representing an increase of 118% over the end of last year. The number of e-commerce banking transactions amounted to 7 billion with a transaction volume of RMB5.2 trillion in the first half of 2016.

Self-service Banking

During the reporting period, the Bank put great effort in product innovation and function improvement of self-service banking. The Bank fulfilled the modifying of the card-using condition of EMV international cards and provided cash withdrawal service for international cards on cash-related self-service equipment. The Bank commenced the upgrading of the contactless IC card-using condition of cash-related self-service equipment, and added bancassurance function to self-service terminal as well as promoted the lottery marketing systems of self-service equipment in order to effectively improve the service capability of self-service banking. As of the end of June 2016, the Bank had 128,300 cash-related self-service banking facilities, and 51,500 self-service banking terminals. The diversion rate of self-service facilities of the Bank reached 84% in the first half of 2016. The Bank's inter-bank transaction settlements in terms of number and amount ranked top among all banks.

Internet Finance

The Bank focused on Three Fundamental Efforts of unifying customer view, point system and entry layout, Three Platforms of financial service, e-commerce and social life, and Five Product Lines of internet payment, internet financing, investment and wealth management, information service and supply chain finance. Intending to achieve its ultimate goal of realizing its mission and highlighting its service advantages in the area of "Sannong", the Bank formulated an overall development plan and its specific implementation steps to grow its internet finance.

During the reporting period, the first phase of the Three Platforms of Internet Finance Projects was launched. In accordance with the objectives of "Open, Customize, Integrate and Share", the Bank has successfully launched the financial service platform (the part for retail finance), the e-commerce platform and the social life platform (The Center of Preferential Treatments for Credit Cards). The platform set the merchants providing daily life services as main entrance of social life. In the meantime, these newly-launched platforms also support open account system and T+0 funds (Quick E Bao), etc.

Cross-border Financial Service

The Bank proactively supported China's strategy of economy and diplomacy. The Bank steadily accelerated the layout and development of overseas institutions and continuously enhanced our global financial service capability. During the reporting period, the Bank's Dubai Branch[1] has officially obtained the preliminary approval from local regulatory authorities, and our Bank's application for the establishment of a representative office in Sao Paulo has been approved by the CBRC. As at the end of June 2016, the Bank had established 17 overseas institutions in 14 countries and regions, as well as the Sino-Congolese Bank of Africa in a joint-capital way in the Republic of Congo, which had formed an overseas network covering Asia, Europe, North America, Oceania and Africa. At 30 June 2016, the total assets of our overseas branches and subsidiaries reached USD100,454 million, representing a decrease of 8.46% compared to the end of the previous year. Net profit for the first half of the year was USD242 million, representing a decrease of 16.21% compared to the corresponding period of previous year.

The Bank continued to accelerate product innovation under "Go Out" strategy, and explored new channels of capital. Capitalizing on the advantage of serving "Sannong" and focused on China's food security strategy, the Bank aimed to support the China's agriculture to "Go Out", as its development focus and the important orientation for its international operation. The Bank provided cross-border comprehensive financial services to those agriculture-related "Go Out" enterprises. In the first half of 2016, the Bank provided services for a total of 188 "Go Out" customers, dealing with USD17.668 billion.

Diversified Operation

The Bank has established an integrated operating platform consisting of funds, securities and investment banking, financial leasing and insurance. The Bank have been constantly advancing the implementation of our integrated operations strategy while expediting the construction of the integrated operations platform, enhancing the parent-subsidiary strategic and business synergy and improving our cross-industry, cross-boundary, cross-border operating expertise.

In the first half of 2016, our four subsidiaries on the integrated operation platform (including ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited, ABC Financial Leasing Co., Ltd. and ABC Life Insurance Co., Ltd.) constantly improved their professional services and competitiveness, with the aim of supporting the Group's functions and maximizing return on capital, resulting in encouraging overall operational performance. The assets under the management of ABC-CA Fund Management Co., Ltd. grew rapidly and exceeded RMB260 billion; the core investment banking business of ABC International Holdings Limited has been continuously expanding; ABC Financial Leasing Co., Ltd. was actively pushing forward its business transformation; and ABC Life Insurance Co., Ltd. had its competitiveness further enhanced as it secured a total premium income of RMB21.7 billion. At the end of June 2016, the total assets of the four subsidiaries amounted to RMB132,603 million, representing an increase of RMB6,801 million as compared with the end of the last year.

1 *The former Dubai Branch has been renamed as DIFC Branch of Agricultural Bank of China.*

Information Technology

During the reporting period, we steadily promoted technology innovation related to products and services, which provided a robust technological support for the development of our businesses. We formulated the plan to develop ABC into an "Informationized Bank" and set out our thoughts, objectives and tasks to this end.

Implementation of key technology projects was facilitated. The first stage of the three main internet finance platforms projects was completed and put into operation, which deeply integrated financial service, e-commerce and social life service, and added new functions such as electronic account, Quick e Bao and Quick e Pay. We completed the infrastructure migration plan of the big data platform and the optimization of the structure to enable high utilization. We proactively facilitated data warehousing work of the big data platform and data mart construction.

Efforts were made to promoted the innovation and application of technology products. Focusing on service stations, we further improved functions of the "Jinsui Huinongtong" management information system. We achieved sales of "Chuanshizhibao" precious metals by ordering and sales of precious metal coins. The second phase of the online supply chain financing platform project was put into operation. We also proceeded with the construction of the financial market and assets management trading system in an orderly manner. Furthermore, the unified list of blacklisted customers of the Bank was completed and the overseas anti-money laundering system was launched.

Sophisticated operation and management was supported. The first phase of the retail customers marketing and management system was put into operation. We refined the business operation risk monitoring system and increased functionality, such as risk monitoring, early warning and dealing with, as well as due diligence evaluation. Also, additional functions such as compulsory risk warning as pre-lending examination, risk warning model for post-lending and corporate customers risk evaluation were introduced. The retail loan pricing management system was launched, which addressed the need for retail loan pricing management in the context of interest rates liberalization.

The safe running of our information system was ensured. The Bank accelerated the integration of the operations, applications and support systems in Shanghai and Beijing. Further, the Bank Promoted construction of the "two cities and three centers" project, reformed and launched the front-end Unionpay system on a demonstration basis, enabling Active-Active connection of Remote Unionpay transactions. Furthermore, the Bank promoted and applied cluster databases of system virtualization and online trading. The Bank also made efforts to build cloud infrastructure platform and internet WLAN in its operation unites. During the reporting period, our transaction volume of operation increased steadily. The average transaction volume per working day of our core operation system reached 297 million, while the highest daily transaction volume reached 383 million. The Bank's information system was sustainable in providing continuous stable services.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, we adhered to a market-oriented approach, promoted awareness of cost effectiveness and continued to deepen the reform of human resources. We streamlined and refined our organizational structure to further improve the organizational operation efficiency by stressing on reforms of the monitoring system of operation risks, the integration of our customer service departments and the internet finance platforms, and enhancing the capabilities of the technological departments in the Head Office and branches. We strengthened the linkage of the allocation of human and remuneration with value creation and business transformation. We enhanced the management and control of the group level, activated incentive mechanism with emphasis on encouraging staff on key posts as well as outstanding talents, and made great efforts to tap the Bank's talent pool, to improved the efficiency of human resources.

Development and Cultivation of Human Resources

During the reporting period, through promoting four projects, including cultivation of chief managers, development of professional staff, transformation and optimization of foundation-level teams and "Retaining talents", we strengthened the development and cultivation of the talents. We accelerated the development and selection of outstanding young management personnel, by organizing a public selection of deputy general managers directly managed by the Head Office, in order to provide young talents with a career development platform. In addition, we developed a more flexible posting system, established a promotion mechanism allowing outstanding staff to be promoted faster. We also provided exchange and career development opportunities for staffs. We kept on building pool of talents focusing on talents of high-end, urgently needed and in short supply. Young talent development program in County Areas was implemented to speed up the pace in cultivating young back-bone staffs who are needed to serve the "Sannong" and the future managers for sub-branches of County Areas.

During the reporting period, using the resources of ABC's Party School and ABC University, we provided multi-level training for staff across a broad range of topics, intending make our education and training more adaptable, relevant and effective for our staff. For senior management, we provided education and training in relation to the important topics discussed in the Fifth Plenary Session of the 18th CPC Central Committee and five development concepts. Training course on risk management and County Area Banking Business was conducted in the U.S. and two courses of "ABC Lecture" were also organized for the senior management. As for professional personals, trainings on a rotational basis were promoted, and four terms of demonstration trainings on emerging business including investment banking, assets management, cross-border finance and cooperation between banks and leasing companies were conducted. For the backbone personnel at foundation-level, we provided trainings for foundation-level management staff and outstanding customer service managers. We enhanced the training resources, by launching development program of famous teachers, standardizing post qualification examination, enriching the courses of online college and launching e-lectures of ABC University.

Information on Employees

As of the end of June 2016, we had 499,059 employees (and additional contracted employees of 9,573), representing a decrease of 4,023 persons compared to the end of last year. Among our employees currently in service, 8,485 persons were employed in our major domestic subsidiaries and 759 persons were local employees in our overseas institutions.

Distribution of Employees by Regions

	30 June 2016	
	Number of Employees	Percentage (%)
Head Office	8,124	1.6
Yangtze River Delta	67,336	13.5
Pearl River Delta	53,781	10.8
Bohai Rim	70,754	14.2
Central China	105,725	21.2
Northeastern China	52,598	10.5
Western China	131,497	26.3
Subtotal of Domestic Branches	489,815	98.1
Major Domestic Subsidiaries	8,485	1.7
Overseas Institutions	759	0.2
Total	499,059	100.0

Distribution of Employees by Academic Degrees

	30 June 2016	
	Number of Employees	Percentage (%)
Doctor's degree	449	0.1
Master's degree	22,541	4.5
Bachelor's degree	215,145	43.1
Associate degree and the degree granted by a vocational school	160,856	32.2
Below associate degree	100,068	20.1
Total	499,059	100.0

Distribution of Employees by Departments

	30 June 2016	
	Number of Employees	Percentage (%)
Management	121,431	24.3
Risk management	18,471	3.7
Finance	23,342	4.7
Administration	18,483	3.7
Sales	111,380	22.3
Trading	203	–
Information technology	5,418	1.1
Tellers	148,930	29.8
Technicians	34,860	7.0
Others	16,541	3.4
Total	**499,059**	**100.0**

Distribution of Employees by Age

	30 June 2016	
	Number of Employees	Percentage (%)
30 or below	105,819	21.2
31-40	75,733	15.2
41-50	210,251	42.1
51 or above	107,256	21.5
Total	**499,059**	**100.0**

Management of Branch Outlets

Domestic Branch Outlets

As of the end of June 2016, we had 23,696 domestic branch outlets, including the Head Office, the Business Department of the Head Office, three specialized institutions managed by the Head Office, 37 tier-1 (direct) branches, 362 tier-2 branches (including business departments of branches in province), 3,515 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), 19,722 branches at foundation-level establishments and 55 other establishments.

Number of Domestic Branches and Branches Outlets by Regions

	30 June 2016	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office[1]	8	–
Yangtze River Delta	3,130	13.2
Pearl River Delta	2,595	11.0
Bohai Rim	3,389	14.3
Central China	5,258	22.2
Northeastern China	2,275	9.6
Western China	7,041	29.7
Total of Domestic Branch Outlets	**23,696**	**100.0**

Note: 1. Including the Head Office, Business Department/Big Client Department, Business Department Dealing with Discounted Bills, Private Banking Department, Credit Card Center, Changchun Training Institute, Tianjin Training Institute and Wuhan Training Institute.

Overseas Branch Outlets

As of the end of June 2016, we had nine overseas branches and three overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai International Financial Center, Tokyo, Frankfurt, Sydney and Luxembourg branches, as well as the Vancouver, Hanoi and Taipei representative offices.

Major Subsidiaries

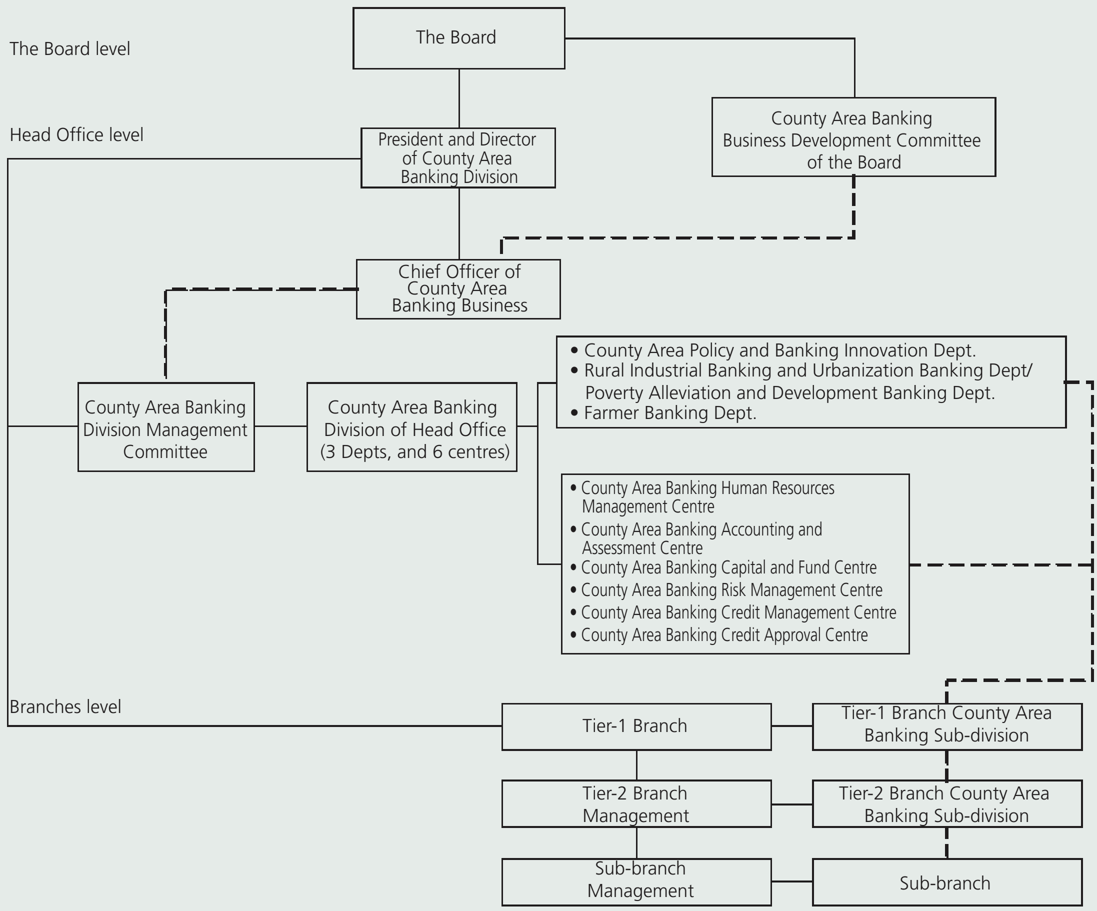
As of the end of June 2016, we have nine major domestic subsidiaries, including ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd., ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company, ABC Jixi Rural Bank Limited Liability Company, ABC Zhejiang Yongkang Rural Bank Limited Liability Company and ABC Xiamen Tong'an Rural Bank Limited Liability Company, and five major overseas subsidiaries, including Agricultural Bank of China (UK) Limited, Agricultural Bank of China (Luxembourg) Limited, Agricultural Bank of China (Moscow) Limited, ABC International Holdings Limited and China Agricultural Finance Co.,Ltd..

County Area Banking Business

The Bank provides our customers in the County Areas with a broad range of premium financial services through all branch outlets in the County Areas in China. The Bank refers to such banking business as the "County Area Banking Business" or "Sannong Banking Business". During the reporting period, the Bank adhered to our business strategy of catering to the needs of Sannong and stayed abreast of the latest development of the Sannong and County Area economy and finance, while accelerating the paces of our reform and innovation. In addition, the Bank fulfilled the financial needs of the Sannong customers, focused on effective control over risks of the Sannong and County Area Banking Business, and exerted efforts in improving our financial service capabilities in County Areas, resulting in constant consolidation of our leading position in the County Area market.

Management Structure and Management Mechanism

Management Structure



Management Structure Chart of County Area Banking Business

The Board of Directors of the Bank has established the County Area Banking Business Development Committee. The senior management is responsible for organizing and carrying out the County Area Banking Business of the Bank, with the County Area Banking Division Management Committee subordinate to it. Three departments and six centres were established under the County Area Banking Division in the headquarter, and likewise, the County Area Banking Sub-Divisions were set up in tier-1 and tier-2 branches following such a structure. Sub-branches in the County Areas are the basic operating units of the County Area Banking Division.

Management Mechanism

The Bank continuously deepened the reform of the County Area Banking Division. The Bank refined and implemented the operation mechanism of separate capital management, separate credit management, separate accounting, separate risk allowance and write-off, separate fund balance and operation, and separate incentive and constraint. The Bank adopted differentiated pricing authorization levels for deposits and loans in the County Areas according to the characteristics of the County Area Banking Business. The Bank also optimized its definite assessment scheme for County Area Banking Sub-divisions and key sub-branches in County Areas which highlighted the Sannong features, and included the assessment results of the County Area Banking Sub-Divisions into the performance assessment of branches. The Bank fully supported the development of County Area Banking Business by allocating credit facility resources, expenditure and fixed assets preferentially. The Bank optimized its separate credit management mechanism for the County Areas and enhanced the resource incentives and rigid constraints for its County Area Banking Business.

During the reporting period, the Bank exercised classification management on sub-branches in County Areas according to their respective operations and management, so as to sink operation focus and strengthen their status as operation entities. The Bank continued to carry out its Youth Talent Development Project in County Areas, which aimed to employ, train and encourage more youth talent to stay in County Areas to make their contributions. The Bank intensified its training efforts for the sub-branches in County Areas by holding two exemplary training classes for youth talent from County Areas, one exemplary training class for Party Secretaries of tier-2 sub-branches in County Areas and one exemplary training class for customer managers of the branch outlets in villages and towns.

Risk Management

During the reporting period, the Bank promulgated the annual credit policy guideline for County Area Banking Business and implemented a series of differentiated credit policies in key areas for Sannong, including modern agriculture, poverty alleviation and development, rural industry integration, key agriculture-related projects, new type of urbanization and competitive industries in County Areas. The Bank optimized its rating system for Sannong customers and appropriately increased the credit ratings of the qualified new agricultural operating entities. It promulgated credit review standards for high-standard farmland construction projects and set up separate approval channels for Sannong credit business, so as to improve the quality and efficiency of Sannong credit review. The Bank optimized its risk monitoring system and adjusted its risk categorization policies. It maintained tolerance level management on risks arising from the loans extended to farmers and made remarkable efforts to resolve the risks from customers with significant loans overdue. The Bank continuously optimized the separate mechanism of risk allowance and write-off, and made significant efforts in disposing of non-performing loans in County Areas by various means such as collection, restructuring, extension and write-off.

County Area Corporate Banking Business

During the reporting period, focused on the "Six Campaigns"[1] in respect of the rural financial services, the Bank made great efforts to enhance its financial services to the corporate customers, and accelerated the paces of innovation of products with County Area features, to continuously consolidate and upgrade the competitive advantage of its corporate banking business in County Areas.

The financial service related to key agriculture-related industries were proactively developed. At the end of June 2016, the Bank provided credit support to 3,848 leading enterprises in agricultural industrialization, and to 213 agricultural cooperatives and 102,000 cooperative members, with the balance of loans amounting to RMB161.9 billion and RMB17.8 billion, respectively. The Bank increased its financial support for the large hydraulic projects focused on the 172 major water conservancy projects. At the end of June 2016, the balance of our irrigation (including hydropower) – related loans totalled RMB260.6 billion, representing an increase of 28.3 billion compared to the end of previous year. The Bank pushed forward our comprehensive financial services for urbanization on a pilot basis, actively supported the urban infrastructure construction and the "Beautiful and Inhabitable Villages" construction, and vigorously promoted the financing and services purchased by the governments.

The financial poverty alleviation efforts were steadily progressing. The Bank conscientiously implemented the guidelines of the poverty alleviation and development conference by the central government, introduced financial plans for poverty alleviation and took an active part in docking with and serving the national poverty alleviation strategy. The Bank tailored financial poverty alleviation plans for each county, to direct our sub-branches in the poor counties to take an accurate starting point and develop targeted poverty alleviation measures. The Bank also strengthened the resource assurance for credit planning, fixed assets and expenditures of our sub-branches in the poor counties, and established a specialized assessment on financial poverty alleviation. At the end of June 2016, the Bank had a balance of RMB635.7 billion of loans extended to the 832 key counties of poverty alleviation, representing an increase of RMB45 billion or 7.6% compared to the end of previous year, which was higher than the average growth rate of the Bank by 2.1 percentage points.

The "Sannong" Corporate Banking product innovation produced fruitful results. The Bank actively researched and developed products that could be applied throughout the bank. The Bank innovatively offered loans pledged with land use rights of the collectively operated land for construction use and financial leasing agency service for agricultural machinery, which effectively met differentiated financial needs of new agricultural operating entities. The tier-1 branches and the "Sannong" Product Innovation Base played important roles in developing a large number of products with Sannong regional characteristics, such as the "Jinyimian" and "Nongdantong".

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1 *"Six Campaigns" refers to the "Ten Billion Financing for a Hundred Companies" campaign launched to support leading agricultural industrialization companies, the "Deepening Promotion of 10 Thousand Cooperatives" campaign to support specialized agricultural cooperatives, the "a Hundred Cities and a Thousand Towns" campaign to support new-type urbanization, the "Top 100 Markets" campaign to support merchants in the commodity market of the County Areas, the "100 Tourism Counties" campaign to support the development of tourism industry in County Areas, and the specialized marketing campaign to support major water conservancy projects.*

At the end of June 2016, the balance of deposits of corporate customers in County Areas was 1,772.2 billion, representing an increase of 156.4 billion compared to the end of previous year. Loans for corporate customers in County Areas amounted to 1,863.6 billion, representing an increase of 34.0 billion compared to the end of previous year.

County Area Retail Banking Business

During the reporting period, the Bank continued to promote business transformation, accelerated the innovation of retail banking products in County Areas and vigorously promoted the innovation and upgrading in "Huinongtong" project, resulting in an overall improvement in the service quality of County Area Retail Banking Business.

The rural household loan business experienced rapid growth. The Bank increased financial support for the new agricultural operating entities and held 437 training classes for the new agricultural operating entities, training nearly 15,000 person-times of major professional customers and household farm owners. The Bank accelerated financial product innovation for farmers, by offering them a number of products highlighted with regional characteristics, such as loans pledged with the property rights of their houses and "Jinsui Xiaokangdai". The Bank also steadily promoted the pilot run of loans pledged with "Two Rights" (land operating rights in the rural areas and property rights of farmers' houses). The Bank actively promoted the "Anjiadai" loans for farmers, which supported farmers to purchase properties in towns and settle down there. The Bank also actively docked with the local governments, so as to accelerate the growth of loans to rural households with credit enhancement through government arrangement. At the end of June 2016, the balance of deposits of major professional customers (household farms) in County Areas was RMB56.2 billion, representing an increase of 19.3 billion compared to the end of previous year. The balance of "Anjiadai" loans for farmers amounted to RMB520.7 billion, representing an increase of RMB73.5 billion compared to the end of previous year. The loans to rural households with credit enhancement through government arrangement amounted to RMB30 billion, representing an increase of RMB5.5 billion as compared to the end of previous year.

The Bank continued to develop its "Jinsui Huinongtong" project thoroughly. As of the end of June 2016, the Bank had established 0.64 million service stations and had 1.07 million electronic machines with 75% village coverage. The Bank issued a total of 188 million Huinong Cards, representing an increase of 13.51 million effective cards. The Bank secured the agency business for annuity insurance services for the urban and rural residents in 1,378 counties, new rural cooperative medical insurance projects in 884 counties and projects with agricultural-related financial subsidies in 4,630 counties, representing an increase of 12 counties, 59 counties and 530 counties, respectively, as compared to the end of previous year. The Bank explored new models for the "Huinongtong" projects to dock with the Internet finance, and actively developed the Internet + "Sannong" financial services. As at the end of June 2016, the Bank launched the "e-Agricultural Steward" platform in 24 thousand "Huinongtong" service stations.

At the end of June 2016, the balance of deposits of retail customers in County Areas was 4,286.8 billion, representing an increase of 262.0 billion compared to the end of previous year. Loans for retail customers in County Areas amounted to 1,065.8 billion, representing an increase of 102.5 billion compared to the end of previous year.

Financial Position

Assets and Liabilities

At 30 June 2016, the total assets of the County Area Banking Business amounted to RMB6,826,614 million, representing an increase of 7.0% over the end of the previous year. The total loans and advances to customers amounted to RMB3,014,055 million, representing an increase of 5.4% over the end of the previous year. The Balance of deposits from customers increased to RMB6,227,752 million, representing an increase of 7.4% over the end of the previous year.

The following table presents the major items of assets and liabilities of the County Area Banking Business at the dates indicated.

In millions of RMB, except for percentages

	30 June 2016		31 December 2015	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**3,014,055**	**–**	2,860,193	–
Allowance for impairment losses on loans	**(164,258)**	**–**	(159,125)	–
Loans and advances to customers, net	**2,849,797**	**41.7**	2,701,068	42.3
Intra-bank balances[1]	**3,424,109**	**50.2**	3,174,640	49.8
Other assets	**552,708**	**8.1**	503,614	7.9
Total assets	**6,826,614**	**100.0**	6,379,322	100.0
Deposits from customers	**6,227,752**	**97.2**	5,800,174	96.8
Other liabilities	**180,909**	**2.8**	192,737	3.2
Total liabilities	**6,408,661**	**100.0**	5,992,911	100.0

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

Profit

In the first half of 2016, the profit before tax of our County Area Banking Business decreased by 11.8% compared with the corresponding period of the previous year to RMB38,284 million, primarily due to a decrease in net external interest income and an increase in impairment losses on assets.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/ (decrease)	Growth Rate (%)
External interest income	**72,363**	85,550	(13,187)	-15.4
Less: External interest expense	**45,093**	50,774	(5,681)	-11.2
Interest income from intra-bank balances[1]	**53,789**	50,741	3,048	6.0
Net interest income	**81,059**	85,517	(4,458)	-5.2
Net fee and commission income	**16,694**	15,579	1,115	7.2
Other non-interest income	**2,307**	2,148	159	7.4
Operating income	**100,060**	103,244	(3,184)	-3.1
Less: Operating expenses	**39,002**	42,510	(3,508)	-8.3
Impairment losses on assets	**22,774**	17,321	5,453	31.5
Total Profit before tax	**38,284**	43,413	(5,129)	-11.8

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

Key Financial Indicators

In the first half of 2016, the return on average total assets of the County Area Banking Business was 0.93%, representing a decrease of 19 basis points compared with the corresponding period of the previous year. The interest spread between deposits and loans of the County Area Banking Business was 3.42%, which was 41 basis points higher than that of the Bank. At 30 June 2016, the non-performing loan ratio of County Area Banking Business was 3.00%, representing a decrease of 0.02 percentage point compared with the end of the previous year. The allowance to non-performing loans was 181.46% and the allowance to total loans was 5.45%.

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

Unit: %

Item	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Return on average total assets	**0.93***	1.12*
Average yield of loans	**4.91***	6.26*
Average cost of deposits	**1.49***	1.83*
Net fee and commission income to operating income	**16.68**	15.09
Cost-to-income ratio	**36.78**	36.96

Item	**30 June 2016**	31 December 2015
Non-performing loan ratio	**3.00**	3.02
Allowance to non-performing loans	**181.46**	184.47
Allowance to total loans	**5.45**	5.56

* *Annualized figures.*

Risk Management

Comprehensive Risk Management System

During the reporting period, we continuously optimized our comprehensive risk management system in accordance with the requirements of prudent risk appetite. Focusing on "Comprehensively Preventing and Fighting against Risks", we further enhanced the effectiveness and initiative of risk management by fulfilling responsibility, improving policies and procedures, strengthening limit management, optimizing capital measurement and enhancing risk assessment. We also strengthened management of credit risk in key areas and actively eliminated risks associated with high-risk industries and customers to maintain assets quality. We formulated annual risk management policies of trading and investment, enhanced the risk management of investment and wealth management and other businesses, and proactively responded to market fluctuations. In addition, we strengthened the prevention and control of legal cases to prevent violations of laws and regulations, and refined the strategy and management plan for business continuity.

We further reinforced the implementation and application of the advanced approach of capital management, and cooperated with the appraisal team of the CBRC in completing the on-the-spot assessments of four advanced approaches of capital management, namely the rating system for non-retail foreign clients, the plan regarding the refinement of major benchmarks of non-retail rating, the abolishment of regulatory restriction which provides that retail risk weighted assets shall not be less than those calculated using the Weighted approach, and the implementation of the Internal Models Approach (IMA) for market risk. We also optimized the parameters for our internal rating system and strengthened the continuous monitoring and regular validation of our internal rating system. In addition, we promoted the application of the IMA approach for market risk and carried out the third full validation of the IMA. We optimized the Advanced Measurement Approach (AMA) model for operational risk to enhance the stability and sensitivity of the model.

During the reporting period, the Risk Management Committee under our senior management held five meetings and discussed and considered a number of proposals and reports on the changes in non-performing loans, the risk analysis report on off-balance credit and non-credit businesses, the particulars of risks associated with consolidation of subsidiaries, the internal rating operation and validation and the optimization of parameters thereof. We also deployed initiatives in relation to the improvement of risk management mechanism, the fulfilment of responsibilities of risk management and the enhancement of the management of credit risk, market risk, operational risk and liquidity risk.

Credit Risk

Credit risk is the risk of economic loss arising from a counterparty's failure to fulfill its obligations under an agreed covenant. 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

During the reporting period, we continued to improve our credit risk management mechanism, insisted on addressing both the symptoms and root causes, controlled new risks and reduced existing risks at the same time, strengthened risk management in key areas such as industries with overcapacity, resolved various types of potential risks in a timely manner, enhanced the efforts in disposal of non-performing loans, and increased efforts in credit structure optimization and control of non-performing loans.

Risk Management of Corporate Banking

We continued to improve the system of credit policies, issued the *Guidelines for Authenticity Verification of Corporate Customers of Credit Business* and the *Guidelines for Due Diligence of Credit Business*, further clarified the requirements for verifying the authenticity of information and due diligence for the credit business. We formulated guidelines for inspection of credit business for industries such as coal, steel and non-ferrous metals, regulated business processes, and enhanced the quality and efficiency of inspection. We also issued the *Administrative Measures for Commercial Disposal of Entrusted Assets* to regulate our entrusted disposal business.

We strengthened management of risks in key areas. We further strengthened the limit management and control of industry-specific exposure, continued to implement exposure limit management on industries associated with high risks such as industries with serious overcapacity, strictly controlled the increment of loans granted to industries with exposure limit and enhanced list-based management of corporate customers. We strengthened the comprehensive process management of the credit business for the real estate industry, optimized credit structure through measures such as exposure limit management and increase of entry barrier, further enhanced the supervision and management of funds, and enhanced the management of collaterals. We promoted the disposal, verification and replacement of local government debts, proactively expanded new bank-government cooperation patterns such as public-private partnership (PPP), government procurement of services and underwriting of government bonds. We strengthened special risk governance in key areas such as customers associated with high risks, industries associated with high risks and guarantee "circles", so as to mitigate potential risks promptly. We strengthened the collection of non-performing assets based on self-collection and used various measures such as written-off of bad debts, transfer of non-performing loans in batches as well as securitization of non-performing assets to enhance the efficiency of disposal.

Risk Management of Retail Loans

We improved our risk management system for retail loans, established systems and rules such as post-loan evaluation of retail loan customers and collection management for overdue retail loans, so as to further strengthen our risk management. We pushed forward the establishment of retail loans center, and explored centralized management of middle and back office business of retail loans in tier-1 branches. We raised the entry barrier for retail loan customers associated with high risks, gradually disposed large-amount retail loans for production and operation with high risks, so as to optimize our customer structure. We carried out management and inspection on collaterals for retail loans to mitigate potential risks promptly. We launched the collection system for overdue retail loans was launched across the Bank to enhance the automation level of collection of overdue loans. We conducted stress tests for retail loans to understand the asset quality under different scenarios and to adopt specific risk prevention plans.

Risk Management of Credit Card Service

We launched a trial program on centralized examination and approval by the Head Office for our credit card business, and fully carried out centralized phone-based investigation, so as to enhance our capability of intensive operations. We improved the credit card debt collection system by combining self-collection with outsourcing collection based on the overdue period to increase our efficiency in collection of overdue loans. We improved our admission criteria for credit card customers and exercised strict control over large-amount credit facilities, and carried out cross marketing based on target customer database to expand our premium customer base and optimize customer structure and asset structure. We also enhanced centralized supervision and launched regular investigations to identify potential risks, so as to terminate credit service to customers with high risks in a timely manner.

Risk Management of Treasury Operations

We improved our assessment model for local currency investments and applied such model to our gold leasing business and foreign currency bond investment business, in an effort to enhance our capability of identifying risks in advance. We continuously monitored the risk of treasury customers with credit exposures and transaction counterparties, and updated our list of customers for special attention in a timely manner to adjust our countermeasures in a dynamic manner. In addition, we sorted out customers for special attention for our domestic and foreign bonds investment, bond transactions, bond underwriting, gold leasing and other businesses, and established a mechanism for decision-making, implementation and evaluation in respect of the sale of credit bonds so as to continuously optimize our customer structure.

Risk Management of County Area Banking Business

Please refer to "County Area Banking Business – Management Structure and Management Mechanism".

Loan Risk Classification

We formulated and refined relevant regulations on loan risk classification in accordance with the *Guidelines of Loan Credit Risk Classification* issued by the CBRC. We comprehensively assessed the recoverability of loans and classified the loans by taking account 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 management systems for loans: (i) the five-category classification system and (ii) the 12-category classification system. Corporate loans were mainly managed with the 12-category classification system. Comprehensive evaluations of customer default risk and debt transaction risk objectively reflected the risk of loans and improved the foreseeability and sensitivity of risk identification. Retail loans and certain corporate loans in counties which satisfied the small business standards as required by the CBRC were managed under the five-category classification system. The credit management system automatically classified the loans based on the length of period by which payments of principal or interest were overdue and the collateral type to ensure a more objective risk assessment. In addition, the classification was regularly adjusted based on the information collected in the credit management to reflect loan quality objectively.

During the reporting period, confronted with the intensifying and complicated risk conditions, we constantly strengthened the management of risk classification, optimized and adjusted our classification policy to proactively provide support to minimize risks associated with loans to customers with default risks. We also improved the risk classification management system for credit assets, and monitored risks associated with industries, regions and key areas to reflect changes of risk in a timely manner. In addition, we improved the authorization of risk classification and made strict review on and adjustments to classification.

Credit Risk Analysis

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

	30 June 2016		31 December 2015	
Item	**Amount**	**Percentage of total loans (%)**	Amount	Percentage of total loans (%)
Loans secured by mortgages	**4,481,866**	**47.6**	4,265,801	47.9
Loans secured by pledges	**1,304,757**	**13.9**	1,198,000	13.5
Guaranteed loans	**1,358,738**	**14.5**	1,349,190	15.1
Unsecured loans	**2,250,477**	**24.0**	2,096,927	23.5
Total	**9,395,838**	**100.0**	8,909,918	100.0

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

	30 June 2016		31 December 2015	
Item	**Amount**	**Percentage of total loans (%)**	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	**98,631**	**1.1**	98,465	1.1
Overdue for 91 to 360 days	**106,596**	**1.1**	105,098	1.2
Overdue for 361 days to 3 years	**85,603**	**0.9**	63,251	0.7
Overdue for more than 3 years	**12,454**	**0.1**	12,698	0.1
Total	**303,284**	**3.2**	279,512	3.1

Restructured Loans and Advances

In millions of RMB, except for percentages

	30 June 2016		31 December 2015	
	Amount	**Percentage of total loans (%)**	Amount	Percentage of total loans (%)
Restructured loans and advances	**32,664**	**0.3**	27,919	0.3

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	**Industry**	**Amount**	**Percentage of total loans (%)**
Borrower A	Transportation, logistics and postal services	106,098	1.13
Borrower B	Transportation, logistics and postal services	19,452	0.21
Borrower C	Transportation, logistics and postal services	18,327	0.19
Borrower D	Construction	17,905	0.19
Borrower E	Production and supply of power, heat, gas and water	16,719	0.18
Borrower F	Transportation, logistics and postal services	15,494	0.16
Borrower G	Real estate	14,880	0.16
Borrower H	Transportation, logistics and postal services	14,728	0.16
Borrower I	Production and supply of power, heat, gas and water	13,636	0.15
Borrower J	Production and supply of power, heat, gas and water	13,610	0.14
Total		250,849	2.67

At 30 June 2016, the total loans granted to the largest single borrower and ten largest borrowers accounted for 7.12% and 16.83% of our net capital, respectively, both of which were in compliance with the relevant regulatory requirements.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage of total loans (%)	31 December 2015 Amount	31 December 2015 Percentage of total loans (%)
Normal	**8,778,451**	**93.43**	8,322,619	93.41
Special mention	**391,998**	**4.17**	374,432	4.20
Non-performing loans	**225,389**	**2.40**	212,867	2.39
Substandard	**50,337**	**0.54**	47,755	0.54
Doubtful	**155,971**	**1.66**	147,864	1.66
Loss	**19,081**	**0.20**	17,248	0.19
Total	**9,395,838**	**100.00**	8,909,918	100.00

At 30 June 2016, the balance of non-performing loans of the Bank was RMB225,389 million, representing an increase of RMB12,522 million compared to the end of the previous year. The non-performing loan ratio was 2.40%, representing a slight increase compared to the end of the previous year. The balance of special mention loans was RMB391,998 million, representing an increase of RMB17,566 million compared to the end of the previous year. Special mention loans accounted for 4.17% of total loans, representing a decrease of 0.03 percentage point compared to the end of the previous year. During the reporting period, the Bank adopted management and control measures to maintain stability of its asset quality: (1) optimizing its industrial credit policies and strengthening loan access management; (2) optimizing its credit structure and strengthening post-disbursement management in line with the national supply-side structural reform, so as to eliminate potential risk in a timely manner; (3) strengthening risk monitoring and strictly sticking to the bottom line of risk classification, so as to reflect the loan quality in an objective way; (4) innovating measures for disposal of non-performing loans and undertaking more efforts for collection and disposal of non-performing loans.

Distribution of Non-performing Loans by Product Type

In millions of RMB, except for percentages

Item	30 June 2016			31 December 2015		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	**186,326**	**82.7**	**3.39**	177,453	83.3	3.30
Short-term corporate loans	**149,320**	**66.3**	**6.49**	142,154	66.7	6.23
Medium- and long-term corporate loans	**37,006**	**16.4**	**1.16**	35,299	16.6	1.14
Discounted bills	**40**	**–**	**0.01**	–	–	–
Retail loans	**35,018**	**15.5**	**1.15**	31,884	15.0	1.17
Residential mortgage loans	**8,870**	**3.8**	**0.40**	8,257	3.9	0.43
Personal consumption loans	**3,069**	**1.4**	**1.83**	2,892	1.4	1.61
Loans to private business	**9,467**	**4.2**	**4.37**	8,495	4.0	3.69
Credit card balances	**6,839**	**3.0**	**2.98**	6,059	2.8	2.73
Loans to rural households	**6,650**	**3.0**	**3.42**	6,020	2.8	3.59
Others	**123**	**0.1**	**10.62**	161	0.1	12.43
Overseas and others	**4,005**	**1.8**	**0.93**	3,530	1.7	0.79
Total	**225,389**	**100.0**	**2.40**	212,867	100.0	2.39

At 30 June 2016, the balance of our non-performing corporate loans amounted to RMB186,326 million, representing an increase of RMB8,873 million compared to the end of the previous year. The non-performing loan ratio of corporate loans was 3.39%, representing an increase of 0.09 percentage point compared to the end of the previous year. The balance of non-performing retail loans increased by RMB3,134 million to RMB35,018 million compared to the end of the previous year. The non-performing loan ratio of retail loans was 1.15%, representing a decrease of 0.02 percentage point compared with the end of the previous year.

Distribution of Non-performing Loans by Geographical Region

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage of total loans (%)	30 June 2016 Non-performing loan ratio (%)	31 December 2015 Amount	31 December 2015 Percentage of total loans (%)	31 December 2015 Non-performing loan ratio (%)
Head Office	**7**	**–**	**–**	7	–	–
Yangtze River Delta	**44,616**	**19.8**	**2.08**	41,684	19.6	2.03
Pearl River Delta	**29,832**	**13.2**	**2.18**	29,600	13.9	2.34
Bohai Rim	**44,611**	**19.8**	**3.00**	40,005	18.8	2.73
Central China	**28,454**	**12.6**	**2.32**	28,084	13.2	2.48
Northeast China	**7,089**	**3.1**	**1.86**	6,036	2.8	1.66
Western China	**66,775**	**29.7**	**3.19**	63,921	30.0	3.23
Overseas and others	**4,005**	**1.8**	**0.93**	3,530	1.7	0.79
Total	**225,389**	**100.0**	**2.40**	212,867	100.0	2.39

At 30 June 2016, the balances of non-performing loans in Bohai Rim and the Yangtze River Delta increased by RMB4,606 million and RMB2,932 million, respectively, compared to the end of the previous year.

Distribution of Corporate Non-performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2016 Amount	30 June 2016 Percentage (%)	30 June 2016 Non-performing loan ratio (%)	31 December 2015 Amount	31 December 2015 Percentage (%)	31 December 2015 Non-performing loan ratio (%)
Manufacturing	**80,022**	**42.9**	**5.93**	74,522	42.0	5.45
Production and supply of power, heat, gas and water	**2,932**	**1.6**	**0.46**	2,785	1.6	0.47
Real estate	**9,025**	**4.8**	**1.76**	9,270	5.2	1.76
Transportation, logistics and postal services	**5,016**	**2.7**	**0.52**	5,210	2.9	0.58
Wholesale and retail	**64,183**	**34.4**	**13.88**	62,072	35.0	12.31
Water, environment and public utilities management	**594**	**0.3**	**0.28**	945	0.5	0.46
Construction	**4,983**	**2.7**	**2.29**	5,447	3.1	2.59
Mining	**10,131**	**5.4**	**4.23**	7,859	4.4	3.14
Leasing and commercial services	**2,303**	**1.2**	**0.44**	2,122	1.2	0.47
Finance	**282**	**0.2**	**0.23**	313	0.2	0.24
Information transmission, software and IT services	**192**	**0.1**	**0.89**	181	0.1	0.67
Others	**6,663**	**3.7**	**2.80**	6,727	3.8	3.09
Total	**186,326**	**100.0**	**3.39**	177,453	100.0	3.30

At 30 June 2016, the balances of our non-performing loans increased most in two industries, i.e., manufacturing and mining, which increased by RMB5,500 million and RMB2,272 million, respectively.

Changes to the Allowance for Impairment Losses

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
At 1 January 2016	133,900	269,343	403,243
Charge for the period	38,963	(3,846)	35,117
– Addition	46,882	31,251	78,133
– Reversal	(7,919)	(35,097)	(43,016)
Write-offs and transfer-out	(34,200)	(4,069)	(38,269)
Transfer-in			
– Recoveries of loans and advances written-off in previous years	705	625	1,330
– Unwinding of discount on allowance	(872)	(242)	(1,114)
– Exchange difference	104	143	247
At 30 June 2016	**138,600**	**261,954**	**400,554**

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, primarily including interest rate risk and exchange rate risk. Our organizational structure of risk management comprises the Board of Directors and its risk management committee, senior management and its risk management committee, the Risk Management Department, the Asset and Liability Management Department and the business departments and institutions bearing market risks.

During the reporting period, the Bank formulated market risk management policies, promulgated annual risk management policies related to trading and investment, and amended rules on market risk management including segregation of trading book, valuation of treasury transactions, measurement of risk value and model validation, thereby further improving our market risk management system. The Bank also improved various functions of our market risk management system including pre-warning of limits and parameter management, and carried out the third comprehensive validation of Internal Model Approach. In the first half of 2016, in response to the substantial fluctuations in globe major markets including foreign exchange rates, bonds, merchandise and stock due to the "Brexit" vote, the Bank actively adopted various measures and maintained our exposure to proprietary transactions at a relatively low level. As a result, the Bank's market risks were overall stable.

Market Risk Exposure Limit Management

Our market risk exposure limit is classified into directive limit and indicative limit based on different effects.

During the reporting period, the Bank further enhanced market risk exposure limit management. The Bank set different market risk exposure limits based on the types of products and risks, and refined the categorization of limits. The Bank also measured, monitored and reported risk exposure limit automatically through systems. During the reporting period, the risk exposure limits were within the designated range.

Segregation of Trading Book and Banking Book

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

Market Risk Management of the Trading Book

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

The Bank adopted a historical simulation method with a confidence interval of 99% based on a holding period of 1 day and historical data for 250 days to measure the VaR for the trading book of the Head Office as well as domestic and overseas branches of the Bank. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for the models and risk factors in order to reflect the actual levels of market risks. The Bank verified the accuracy and reliability of the risk measurement models through data analysis, parallel modeling and back-testing.

VaR Analysis of the Trading Book

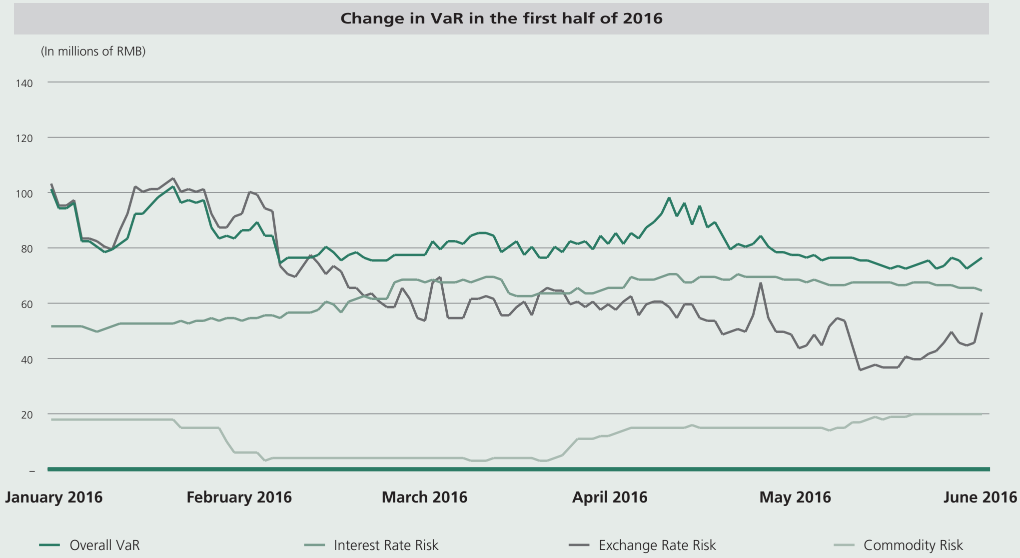
in millions of RMB

	January-June 2016				January-June 2015			
Item	**At the end of the period**	**Average**	**Maximum**	**Minimum**	At the end of the period	Average	Maximum	Minimum
Interest rate risk	**65**	**63**	**71**	**50**	82	76	90	64
Exchange rate risk	**57**	**66**	**106**	**36**	49	50	72	32
Commodity Risk	**20**	**12**	**20**	**3**	44	28	46	9
Overall VaR	**77**	**83**	**103**	**73**	101	94	116	68

Note: 1. According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.

Change in VaR in the first half of 2016

In millions of RMB



During the reporting period, RMB interest rate remained at a low level, and the maturity structure of portfolio of bond was shortened, resulting in a slight decrease in the VaR of interest rate risk. The unilateral domestic and overseas exposure of gold increased, resulting in an increase in VaR of exchange rate risk. The VaR of commodity risk decreased because the volume of the silver portfolio reduced by nearly half.

Market Risk Management for Banking Book

The Bank managed market risk of the banking book through comprehensive use of relevant measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to the risk of losses in our income or economic value from adverse movements in the statutory or market interest rate. The interest rate risk of the banking book of the Bank primarily arises from the mis-match of the maturity or re-pricing dates of interest-rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based.

We continuously improved the interest rate risk management system, which was adapted to domestic interest rate environment and in line with our management status. During the reporting period, we launched the project for enhancing the banking book interest rate risk management and introduced a mature interest rate risk calculation engine, so as to comprehensively enhance our interest rate management capability. We established the layered deposit pricing management mechanism while promoting the balanced development of the amount and pricing of deposits, strengthening the management of loan pricing objectives and dynamically adjusting the interest rate authorization, which improved the refinement and differentiation of pricing management.

Exchange Rate Risk Management

Exchange rate risk refers to the risk arising from currency mismatches of assets and liabilities. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by structural assets and liabilities (the "structural exchange rate risk"), which are difficult to be prevented in operations.

In the first half of 2016, the Bank performed exchange rate risk exposure monitoring and sensitivity analysis regularly, strengthened the management of currency matching of foreign currency-denominated assets and liabilities, maintained the balance between the total assets and liabilities denominated in different foreign currencies and flexibly adjusted the trading exchange rate risk exposure. As a result, the risk exposure of exchange rate of the Bank remained reasonable.

Interest Rate Risk Analysis

At 30 June 2016, the cumulative negative gap sensitive to interest rate due within one year amounted to RMB981,857 million, representing an increase of RMB446,951 million in absolute terms compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1-3 Months	3-12 Months	Sub-total of 1 year and below	1-5 years	Over 5 years	Non-interest earning
30 June 2016	(5,312,250)	843,286	3,487,107	(981,857)	328,456	1,814,733	(100,682)
31 December 2015	(2,968,135)	554,253	1,878,976	(534,906)	42,874	1,627,830	(134,125)

Note: Please refer to "Note 52 Financial Risk Management: Market Risk" to the Condensed Consolidated Interim Financial Statements for more details.

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2016		31 December 2015	
Movements in basis points	**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	**(30,805)**	**(41,057)**	(16,780)	(38,949)
Decreased by 100 basis points	**30,805**	**41,057**	16,780	38,949

The interest rate sensitivity analysis above indicates the movements in net interest income and other comprehensive income under the stated interest rate movements, 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 the composition of our assets and liabilities at 30 June 2016, if the interest rates instantaneously increase (or decrease) by 100 basis points, net interest income and other comprehensive income would decrease (or increase) by RMB30,805 million and RMB41,057 million, respectively.

Exchange Rate Risk Analysis

We are mainly exposed to risks arising from the exchange rate of USD against RMB. In the first half of 2016, the mid-point rate of RMB against USD depreciated accumulatively by 1,376 basis points or 2.12%. At 30 June 2016, our negative foreign exchange exposure of financial assets/liabilities was USD2,401 million, representing an increase of USD415 million in absolute terms compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2016		31 December 2015	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	**(15,920)**	**(2,401)**	(12,894)	(1,986)
Net foreign exchange exposure of off-balance sheet financial assets/liabilities[2]	**(21,468)**	**(3,237)**	(10,654)	(1,641)

Notes: 1. Please refer to "Note 52 Financial Risk Management: Market Risk" to the Condensed Consolidated Interim Financial Statements for more details.

2. Net foreign exchange exposure of off-balance sheet financial assets/liabilities would no longer contain credit commitments, and comparative figures at the beginning of the period have been adjusted accordingly.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax 30 June 2016	Impact on profit before tax 31 December 2015
USD	+5%	**3,827**	(637)
	-5%	**(3,827)**	637
HKD	+5%	**(4,482)**	206
	-5%	**4,482**	(206)

Non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the exchange rate exposure at the end of the reporting period, the profit before tax would increase (decrease) by RMB3,827 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk

Liquidity risk refers to the risk arising from failure of banks to timely acquire sufficient funds at a reasonable cost to settle amounts due or fulfill other payment obligations or satisfy other funding needs for ordinary business operations.

Liquidity Risk Management

The Bank closely monitored changes in monetary policies and the market, while strengthening its research and judgement on the macro-economic and financial environment as well as factors that affected liquidity. The Bank strictly adhered to the risk limitations, while improving its foresight and pertinence of liquidity management. By adjusting and refining the asset and liability structure, the Bank ensured efficient market financing channels, maintained the proportion of reserve assets with high liquidity, and balanced the relationship among security, liquidity and profitability to enhance the efficiency of capital operations subject to the overall liquidity of the Bank. The Bank strengthened the real-time monitoring and flexible adjustment of its capital position. While ensuring sufficient reserves, the Bank successfully dealt with liquidity management problems caused by money market fluctuations. The Bank had reinforced liquidity monitoring, warning and analysis, optimized the estimation and forecast system for transactions of large amount of funds, and launched cost-split mechanism for cost arsing from forecast bias, resulting in a continuous improvement in the sophisticated liquidity management. The Bank continuously optimized and upgraded its liquidity management tools by improving the cash flow statistics, position management and liquidity index monitoring modules of liquidity management information system, and improved the automatic processing function for deposit reserve assessment using average balance method in accordance with regulatory requirements.

Liquidity Risk Analysis

In the first half of 2016, the government's monetary policies remained prudent. Various measures were adopted by the PBOC to adjust market liquidity appropriately. The PBOC cut the deposit reserve ratio of financial institutions by 0.5 percentage point and moderately increased long-term liquidity. Meanwhile, the PBOC further improved the average balance method for deposit reserve assessment of the banks by using the arithmetic average daily balance of the ordinary deposits during the checking period, thus reducing the impact of deposit reserve adjustment on market liquidity fluctuation. Open market operations were flexibly carried out to maintain reasonable and sufficient market liquidity, including the use of Short-term Liquidity Operations (SLO), Standing Lending Facility (SLF), Medium-term Lending Facility (MLF) and Pledged Supplementary Lending (PSL) to make a timely and appropriate two-way regulation. The Bank continuously strengthened monitoring of the changes in monetary policies and market liquidity, the development of its asset and liability business, and its liquidity condition. The Bank flexibly adjusted capital operation strategy to increase the efficiency of fund utilization and ability to manage liquidity risk subject to the overall liquidity of the Bank. During the reporting period, the cash flow for matured funds was reasonably arranged and the overall liquidity of the Bank was sufficient, secured and under control.

Liquidity Gap Analysis

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

In millions of RMB

	Past due	On demand	Within 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Undated	Total
30 June 2016	55,311	(8,835,799)	260,702	6,673	57,251	2,027,246	5,006,385	2,482,881	1,060,650
31 December 2015	48,107	(8,194,380)	126,537	(263,526)	825,092	1,681,453	4,385,011	2,393,379	1,001,673

Note: *Please refer to "Note 52 Financial Risk Management: Liquidity Risk" to the Condensed Consolidated Interim Financial Statements for more details.*

The Bank assessed liquidity risk through liquidity gap analysis. In order to promote the profitability of assets, the Bank moderately extended durations of assets. As a result, the positive gap over five years increased by RMB621,374 million compared to the end of the previous year.

For details of the liquidity coverage ratio information of the Bank, please refer to "Appendix II: Liquidity Coverage Ratio Information".

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal procedures, staff, information system or external affairs, including legal risk but excluding strategy risk or reputation risk.

During the reporting period, we applied AMA in measuring economic capital for operational risk and continuously optimized the measurement model, so as to improve the stability and sensitivity of measurement. Leveraging the guiding function of economic capital measurement and risk assessment, we refined the score card for operational risk management, promoted our subsidiaries and branches to strengthen the risk management of key businesses. We expanded key risk indicator system and reinforced the operational risk management of key businesses. The *Reporting Standard for Operational Risk Incidents of Overseas Branches and Subsidiaries of Agricultural Bank of China* was introduced to further specify the reporting standard and enhance the reporting quality. Furthermore, we also analyzed the business performance of the entire Bank, and improved the strategies and contingency planning system for operation continuity to enhance the operation continuity management of our sustainable business.

Legal Risk Management

Legal risk refers to any risk of banks suffering in its business operations from adverse consequences including legal liabilities, loss of rights and reputational damage due to breach of laws, administrative rules and regulations, regulatory requirements or obligations under contracts, or failure to duly regulate and exercise rights or other external legal factors. Legal risk includes risk directly resulted from legal factors, as well as risk associated with other risks.

In the first half of 2016, we adhered to the instructions specified in the *Outlines on Building Agricultural Bank of China under the Rule of Law*, promoted the implementation of each task on a case-by-case basis, improved our legal risk management mechanism and enhanced the promotion of legal policies to improve our capability to prevent and control legal risks. Interpretation of new laws and regulations was carried out on a regular basis and close attention was paid to the developments of national legislation. We increased our efforts in formulation, amendment and abolishment of rules and regulations, and continuously promoted the internalization of external requirements and the development of internal policies. We also optimized the legal review and paid special attention to preventing the legal risk associated with innovative businesses, in particular, internet finance. In addition, we strengthened contract management by adjusting and refining a series of contract documents including documents relating with the "Transformation from Business Tax to Value-added Tax". We also duly formulated plans for the "7th Five-Year" Legal Education Program and carried out the annual legal education activities, organized a series of education activities featuring the general knowledge of criminal law, legal requirements and legal compliance, so as to enhance the legal awareness of all the staff continuously.

Anti-money Laundering

In the first half of 2016, while fully implementing our risk-based anti-money laundering principle, we deepened the reform on our anti-money laundering measures, effectively promoted centralized management of anti-money laundering issues, continuously improved our internal control system, and refined our risk monitoring mechanism. We also optimized our risk monitoring model for anti-money laundering, proactively conducted risk analysis and expanded the screening coverage for our sanction list, so as to effectively enhance our capability to control risks associated with money laundering and financing for terrorism. In addition, we established an anti-money laundering appraisal mechanism for overseas institutions and increased our resources allocated to anti-money laundering activities in our overseas institutions, and promoted their anti-money laundering compliance management. We also coordinated our efforts in deployment of anti-money laundering information system for our domestic and overseas institutions. Moreover, we actively cooperated with government departments in carrying out administrative investigation into anti-money laundering activities and fighting against drug-related crimes, thereby better fulfilling our anti-money laundering duties.

Consolidated Risk Management

Consolidated risk management refers to comprehensive and continuous identification, measurement, monitoring, reporting and assessment of the risks of subsidiaries which are consolidated to our financial statements through a series of risk management procedures, methodologies and technologies and the adoption of effective management measures to keep the overall risks of the Group under control.

During the reporting period, we continuously strengthened the consolidated risk management and all risk indicators of the Group were in compliance with the regulatory requirements. We collected consolidated risk information regularly to carry out consolidated risk monitoring, analysis and reporting. We also strengthened the coordinated risk management and control of the Bank and its subsidiaries, and provided guidance to our subsidiaries and branches to improve their risk management systems based on risk assessment and appraisal results. In addition, we further improved the digitalization of data processing by refining our consolidated risk reporting system.

Reputation Risk Management

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

We incorporated reputation risk management into our corporate governance and comprehensive risk management system, continuously improved the mechanism, rules and relevant system for reputation risk management, and prevented reputation risk and responded to reputation events in a proactive and effective manner, so as to minimize losses to and negative effects on us.

In the first half of 2016, we conducted inspection and comprehensive self-inspection on reputation risks to identify potential reputation risks of our branches and business lines, and strengthened public opinion analysis, warning and response ability of our branches and business lines. We increased our efforts in monitoring new media and established reporting mechanism and response procedures. Efforts were also made to collect public opinions more timely and deal with incidents that may affect our reputation in advance. We also launched training programs for our branches on prevention and control of reputation risk as well as management of relationship with media, and therefore effectively enhanced the trainees' capability to respond to public opinions. Reputation risk prevention and control manuals were issued to our employees as one of the basic courses designed for employees' online training, in a view to raise reputation risk prevention and control awareness and improve media response ability of our foundation level employees. We made emergency response plan to control material reputation events, optimized the prevention and control mechanism with clear duties and responsibilities for different departments and posts, and strengthened coordinated work of risk prevention and control.

Country Risk Management

Country risk represents risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

We strictly complied with the regulatory requirements of the CBRC and incorporated country risk management into our comprehensive risk management system. We managed country risk through a series of instruments such as country risk evaluation and rating, risk limit approval, risk exposure calculation, market research analysis, monitor and analysis of risk factors and stress testing. We carried out rating and limit verification of country risk annually and make timely adjustment to risk limit and control measures based on business needs and changes in risks.

In the first half of 2016, in response to the complicated and over-changing international environment, we continued to strengthen the country risk management, refined the country risk management system and procedures, and improved the country risk management system. We closely monitored the daily changes in risk exposure, and tracked, monitored, reported country risk continuously and adjusted country risk limit and control measures in a timely manner. Risk alert mechanism was strengthened and stress tests for country risk were performed to maintain effective management and control over country risk while steadily expanding our business into the international market.

Capital Management

During the reporting period, we strictly implemented the *Capital Plan of Agricultural Bank of China for 2016-2018* prepared in accordance with the regulatory requirements in relation to the capital management under the *Capital Rules for Commercial Banks (Provisional).* We also adhered to our established basic principle of capital management and the target of capital adequacy ratio, and enhanced the management of capital constraint and capital returns. We also improved our long-acting capital management mechanism to ensure that the capital adequacy ratio can continuously meet the requirements of covering risk exposure, creating value and compliance with regulatory requirements.

During the reporting period, we focused on the strategic objectives of value creation and structural optimization. We also continued to strengthen capital constraint, constantly refined the structure of on- and off-balance sheet assets and further optimized the allocation of economic capital. Based on the enhancement of the economic capital allocation among branches, we progressively improved our economic capital management mechanism for business lines, in an effort to reinforce capital constraint to our businesses.

For details of the capital adequacy ratio and leverage ratio of the Bank, please refer to "Appendix I: Capital Adequacy Ratio Information" and "Appendix III: Leverage Ratio Information", respectively.

Changes in Ordinary Share Capital

Details of Changes in Share Capital

Unit: Share

	31 December 2015		Increase/decrease during the reporting period (+, -)			30 June 2016	
	Number of shares	Percentage[3] (%)	New shares issued	Others	Subtotal	Number of shares	Percentage[3] (%)
1. Shares subject to restrictions on sales[1]	–	–	–	–	–	**–**	**–**
2. Shares not subject to restrictions on sales	324,794,117,000	100	–	–	–	**324,794,117,000**	**100**
1. RMB-denominated ordinary shares	294,055,293,904	90.5	–	–	–	**294,055,293,904**	**90.5**
2. Foreign-invested shares listed overseas[2]	30,738,823,096	9.5	–	–	–	**30,738,823,096**	**9.5**
3. Total number of shares	324,794,117,000	100	–	–	–	**324,794,117,000**	**100**

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

2. "Foreign-invested shares listed overseas" refers to the H shares as defined in the 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 Shareholding (Revision 2007) of the CSRC.

3. Figures in the "Percentage" column of the table above are rounded to the nearest decimal number.

Details of Issuance and Listing of Securities

For details of issuance of securities of the Bank during the reporting period, please refer to "Note 38 Debt Securities Issued" to the Condensed Consolidated Interim Financial Statements for more details.

Particulars of Shareholders of Ordinary Shares

Number of Shareholders and Particulars of Shareholding

As of 30 June 2016, the Bank had a total of 522,500 shareholders, including 26,285 holders of H Shares and 496,215 holders of A Shares.

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

Unit: Share

Total number of shareholders	**522,500** (as set out in the registers of shareholders of A Shares and H Shares as of 30 June 2016)

Particulars of shareholding of the top 10 shareholders (the data below are based on the registers of shareholders as of 30 June 2016)

Name of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+, -)	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Huijin	State-owned	A Shares	–	40.03	130,005,103,782	–	None
MOF	State-owned	A Shares	–	39.21	127,361,764,737	–	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-11,707,204	9.02	29,309,960,236	–	Unknown
SSF	State-owned	A Shares	–	3.02	9,797,058,826	–	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	1,147,472,248	1.92	6,231,276,506	–	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A Shares	–	0.39	1,255,434,700	–	None
Standard Chartered Bank	Overseas legal entity	H Shares	–	0.37	1,217,281,000	–	Unknown
China Life Insurance Company Limited – Dividend distribution – Individual dividend – 005L – FH002 Hu	Other	A Shares	115,800	0.37	1,188,872,800	–	None
PICC Life Insurance Company Limited – Traditional – Ordinary insurance product	Other	A Shares	1,135,515,571	0.35	1,135,515,571	–	None
Wutongshu Investment Platform Co., Ltd.	State-owned legal entity	A Shares	–	0.30	980,723,700	–	None

Notes:

1. *All the shares held by HKSCC Nominees Limited represent the total number of H Shares held by it as a nominee on behalf of all institutional and individual investors registered with it as of 30 June 2016.*
2. *Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Apart from this, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.*
3. *The top 10 shareholders of ordinary shares of the Bank not subject to restrictions on sales are the same with the top 10 shareholders of ordinary shares.*

Particulars of Substantial Shareholders

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no de facto controller.

MOF

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

As of 30 June 2016, the MOF held 127,361,764,737 shares of the Bank, accounting for approximately 39.21% of the total share capital of the Bank.

Huijin

Huijin was established through state investment in accordance with the *Company Law of the People's Republic of China* on 16 December 2003 as a wholly state-owned company with a registered capital of RMB828,209 million. The organizational code of Huijin is 71093296-1 and its legal representative is Mr. DING Xuedong. 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 can exercise rights and assume obligations as an investor on behalf of the state to the extent of its capital contribution. Huijin does not engage in other commercial activities nor intervene in the normal operations of key state-owned financial enterprises which are controlled by Huijin.

As of 30 June 2016, Huijin held 130,005,103,782 shares of the Bank, accounting for approximately 40.03% of the total share capital of the Bank.

Except for the MOF and Huijin, as of 30 June 2016, there was no other corporate shareholder who held 10% or more equity interests in the Bank.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As of 30 June 2016, the Bank received notifications from the following persons regarding their interests or short positions in the shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/nominee[1]	138,682,352,926 (A Shares)[2]	Long position	47.16	42.70
Huijin	Beneficial owner	131,260,538,482 (A Shares)[3]	Long position	44.64	40.41
BlackRock, Inc.	Interest of controlled entity	1,455,389,183 (H Shares)	Long position	4.73	0.45
Citigroup Inc.	Interest of controlled entity	729,506,701 (H Shares)	Long position	2.37	0.22
	Custodian - corporation/approved lending agent	65,383,460 (H Shares)	Short position	0.21	0.02
	Security interest	601,649,310 (H Shares)	Lending pool	1.96	0.19
JPMorgan Chase & Co.	Interest of controlled entity	1,520,038,526 (H Shares)	Long position	4.95	0.47
	Custodian – corporation/ approved lending agent	234,080,658 (H Shares)	Short position	0.76	0.07
	Security interest	481,535,190 (H Shares)	Lending pool	1.57	0.15
Qatar Holding LLC	Beneficial owner	4,267,172,500 (H Shares)	Long position	13.88	1.31
Qatar Investment Authority	Interest of controlled entity[4]	4,267,172,500 (H Shares)	Long position	13.88	1.31

Notes:

1. *9,797,058,826 A Shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.*
2. *According to the register of shareholders of the Bank as of 30 June 2016, 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.*
3. *According to the register of shareholders of the Bank as of 30 June 2016, Huijin held 130,005,103,782 A Shares of the Bank, accounting for 44.21% and 40.03% of the issued A Shares and the total issued shares of the Bank, respectively.*
4. *Qatar Investment Authority is deemed to be interested in 4,267,172,500 H Shares held by Qatar Holding LLC, a wholly owned subsidiary of Qatar Investment Authority.*

Issuance and Listing of Preference Shares

During the reporting period, the Bank did not issue or list any preference share.

Number of Holders of Preference Shares and their Shareholdings

As of 30 June 2016, the Bank had 25 shareholders[1] of preference shares of "農行優1".

Particulars of shareholding of the top 10 shareholders of preference shares of "農行優1" (stock code 360001)

(The data below are based on the register of shareholders of the Bank as of 30 June 2016)

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+, -)	Number of preference shares held	Shareholding percentage (%)	Number of pledged or lock-up preference shares
Bank of Communications Schroder Fund Management Co., Ltd.	Other	Domestic preference shares	–	60,000,000	15.00	None
China Merchants Fund Management Co., Ltd.	Other	Domestic preference shares	–	49,000,000	12.25	None
Beijing Tiandi Fangzhong Asset Management Co., Ltd.	Other	Domestic preference shares	–	35,000,000	8.75	None
Anbang Insurance Group Co., Ltd.	Other	Domestic preference shares	–	30,000,000	7.50	None
Ping An Life Insurance Co., Ltd.	Other	Domestic preference shares	–	30,000,000	7.50	None
PICC Life Insurance Company Limited	Other	Domestic preference shares	–	30,000,000	7.50	None
Beijing International Trust Co., Ltd.	Other	Domestic preference shares	–	30,000,000	7.50	None
Zhonghai Trust Co., Ltd.	Other	Domestic preference shares	–	20,000,000	5.00	None
Bank of Ningbo Co., Ltd.	Other	Domestic preference shares	–	15,000,000	3.75	None
Bank of Beijing Scotiabank Asset Management Co., Ltd.	Other	Domestic preference shares	–	12,000,000	3.00	None

Notes: 1. *PICC Life Insurance Company Limited – Traditional – Ordinary insurance product is managed by PICC Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above shareholders of preference shares, and between the above shareholders of preferences shares and the top 10 shareholders of ordinary shares or whether they are parties acting in concert.*

2. *"Shareholding percentage" refers to the percentage of shares of "農行優1" held by the shareholders of preference shares to the total number of shares of "農行優1" (i.e., 400 million shares).*

1 *The number of the shareholders of preference shares was calculated by the number of the qualified investors that hold the preference shares of the Bank. When calculating the number of the qualified investors, an asset management institution that purchases the preference shares of the Bank through two or more products under its control will be counted as one.*

As of 30 June 2016, the Bank had 28 holders of preference shares of "農行優2".

Particulars of shareholding of the top 10 shareholders of preference shares of "農行優2" (stock code 360009)

(The data below are based on the register of shareholders of the Bank as of 30 June 2016)

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+,-)	Number of preference shares	Shareholding percentage (%)	Number of pledged or lock-up preference shares
China Life Insurance Company Limited	Other	Domestic preference shares	–	50,000,000	12.50	None
China National Tobacco Corporation	Other	Domestic preference shares	–	50,000,000	12.50	None
Beijing Chance Capital Management Co., Ltd.	Other	Domestic preference shares	–	25,000,000	6.25	None
Maxwealth Fund Management Co., Ltd.	Other	Domestic preference shares	–	25,000,000	6.25	None
China Mobile Communications Corporation	Other	Domestic preference shares	–	20,000,000	5.00	None
Shanghai Wisdom Asset Management Co., Ltd.	Other	Domestic preference shares	–	20,000,000	5.00	None
Bank of Communications Schroder Fund Management Co., Ltd.	Other	Domestic preference shares	–	20,000,000	5.00	None
Bank of China Limited, Shanghai Branch	Other	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company	Other	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Other	Domestic preference shares	–	20,000,000	5.00	None

Notes: 1. *China National Tobacco Corporation Jiangsu Province Company and China National Tobacco Corporation Yunnan Province Company are wholly-owned subsidiaries of China National Tobacco Corporation. China Life Insurance Company Limited – Dividend distribution – Individual dividend – 005L – FH002 Hu is managed by China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above shareholders of preference shares, and between the above shareholders of preferences shares and the top 10 shareholders of ordinary shares or whether they are parties acting in concert.*

2. *"Shareholding percentage" refers to the percentage of shares of "農行優2" held by the shareholders of preference shares to the total number of shares of "農行優2" (i.e., 400 million shares).*

The preference shares of "農行優1" and "農行優2" of the Bank are shares not subject to restrictions on sales, and the top 10 shareholders of preference shares not subject to restrictions on sales are the same with the top 10 shareholders of preference shares of "農行優1" and "農行優2".

Profit Distribution for Preferences Shares

Dividends on the preference shares will be paid in cash annually. When the Bank resolves to cancel part or all of the dividends to shareholders of preference shares, such undistributed dividends shall not be accumulated to subsequent dividend periods. The shareholders of preference shares of the Bank, upon receiving dividends at the agreed rate, shall not participate together with shareholders of ordinary shares of the Bank in the distribution of the remaining profit.

During the reporting period, the Bank paid cash dividends of RMB5.50 (tax inclusive) per preference share and RMB2.2 billion (tax inclusive) in aggregate on 11 March 2016, calculated by coupon rate of 5.50%, to the shareholders of 農行優2 (stock code: 360009) whose names appeared on the register of members at the close of business on 10 March 2016. For details of the above distribution of dividends, please refer to the announcements of the Bank published on the website of the Shanghai Stock Exchange and the website of the Bank. During the reporting period, the payment date of dividend of the preference shares of 農行優1 (stock code: 360001) was not due.

Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of preference shares issued by the Bank.

Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of preference shares issued by the Bank.

Accounting Policy

In accordance with the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments,* the *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments* and the *Rules on the Financial Liability and the Equity Instruments and Relevant Accounting Treatment* issued by the MOF, the Bank is of the view that the terms of the preference shares of the Bank, namely 農行優1 (stock code: 360001) and 農行優2 (stock code: 360009), conform to the accounting requirements of equity instruments. Therefore, the aforesaid preference shares were counted as equity instruments.

Directors, Supervisors and Senior Management of the Bank

As of the date of the interim results announcement, the compositions of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank were as follows:

The Board of Directors of the Bank consisted of 15 members, including four Executive Directors, namely Mr. ZHOU Mubing, Mr. ZHAO Huan, Mr. CAI Huaxiang and Mr. LOU Wenlong; six Non-executive Directors, namely Mr. ZHAO Chao, Mr. ZHOU Ke, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong; and five Independent Non-executive Directors, namely Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan, Ms. XIAO Xing, Mr. LU Jianping and Mr. WANG Xinxin.

The Board of Supervisors of the Bank consisted of eight members, including two Supervisors representing shareholders, namely Mr. YUAN Changqing and Mr. WANG Xingchun; four Supervisors representing employees, namely Mr. ZHENG Xin, Mr. XIA Taili, Mr. LIU Chengxu and Mr. XIA Zongyu; and two External Supervisors, namely Mr. LI Wang and Ms. LV Shuqin.

The Senior Management of the Bank consisted of eight members, namely Mr. ZHAO Huan, Mr. CAI Huaxiang, Mr. GONG Chao[1], Mr. LOU Wenlong, Mr. WANG Wei, Mr. LIN Xiaoxuan, Ms. GUO Ningning and Ms. ZHANG Keqiu.

As of 30 June 2016, except for Mr. ZHENG Xin, our Supervisor, who held 375,000 A Shares of the Bank, none of the incumbent or former Directors, Supervisors or Senior Management held shares of the Bank. During the reporting period, none of the incumbent or former Directors, Supervisors or Senior Management held share options or were granted restricted shares of the Bank.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 21 February 2016, Mr. LIU Shiyu resigned as the Chairman and an Executive Director of the Bank due to work arrangements.

On 8 March 2016, Mr. ZHAO Huan was elected as an Executive Director of the Bank and Mr. WANG Xinxin was elected as an Independent Non-executive Director of the Bank, both at the 2016 first Extraordinary General Meeting of the Bank. Mr. ZHAO Huan was also elected as the Vice Chairman of the Board on the same day. The qualification of Mr. ZHAO Huan was ratified by the CBRC on 24 March 2016. The qualification of Mr. WANG Xinxin was ratified by the CBRC on 13 May 2016. Mr. Frederick MA Si-hang resigned as an Independent Non-executive Director of the Bank upon the qualification of Mr. WANG Xinxin being ratified by the CBRC.

On 27 June 2016, Mr. ZHOU Mubing was elected as an Executive Director of the Bank at the 2015 Annual General Meeting of the Bank. Mr. ZHOU Mubing was also elected as the Chairman of the Board on the same day. The qualification of Mr. ZHOU Mubing was ratified by the CBRC on 1 July 2016.

1 *Mr. GONG Chao resigned as an Executive Vice President of the Bank in July 2016 due to work arrangements but remained as the Secretary to the Party Discipline Committee of the Bank.*

Changes in Supervisors

On 7 May 2016, Mr. XIA Zongyu resigned as a Supervisor Representing Employees and a member of Finance and Internal Control Supervision Committee of the Bank due to the expiry of his term of office.

On 5 July 2016, Mr. LIU Chengxu and Mr. XIA Zongyu were elected as Supervisors Representing Employees of the Bank at the Employee Representatives Meeting of the Bank.

Changes in Senior Management

On 21 January 2016, Mr. ZHAO Huan was appointed as the President of the Bank by the Board. The qualification of Mr. ZHAO Huan was ratified by the CBRC on 4 March 2016.

On 3 March 2016, Mr. LI Zhenjiang resigned as an Executive Vice President of the Bank due to work arrangements.

On 28 April 2016, Ms. GUO Ningning was appointed as an Executive Vice President of the Bank by the Board. The qualification of Ms. GUO Ningning was ratified by the CBRC on 6 June 2016.

Corporate Governance

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

During the reporting period, we supplemented and adjusted the composition of the Board and the committees thereof, and appointed new Executive Directors and an Independent Non-executive Director. Based on our business development, we amended the *Plan on the Authorization to the Board of Directors by the Shareholders' General Meeting of Agricultural Bank of China* and the *plan on the Authorization to the President by the Board of Directors of Agricultural Bank of China*.

Corporate Governance Code

During the reporting period, we complied with all the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules except for the following matters.

Mr. Frederick MA Si-hang, our former Independent Non-executive Director, resigned with effect from 13 May 2016. As a result, the office of the Chairman of the Audit and Compliance Committee was vacant, which was not in compliance with Rule 3.21 of the Hong Kong Listing Rules. We appointed Ms. XIAO Xing as the Chairman of the Audit and Compliance Committee at the meeting of the Board of Directors held on 26 July 2016.

When the 2015 Annual General Meeting was held on 27 June 2016, the office of the Chairman of the Board was vacant, which was not in compliance with code provision E.1.2 of the Corporate Governance Code. Mr. ZHOU Mubing was elected as an Executive Director at the 2015 Annual General Meeting of the Bank, and the Chairman of the Board at the meeting of the Board held on the same day. The qualification of Mr. ZHOU Mubing was ratified by the CBRC on 1 July 2016.

Internal Control and Internal Audit

Internal Control

In the first half of 2016, we made intensive efforts to improve our internal control and compliance system and enhanced the management in respect of internal control and compliance for the healthy and sustainable development of our business.

Firstly, we took concrete measures for culture cultivation and continued to promote the development of the compliance culture. In accordance with general requirements of "Strict Governance, Compliant Operation, Risk Prevention and Control", we made new progress in implementing the *Outlines for Developing Compliance Culture*, expanding channels for developing the compliance culture, and enhancing legal awareness and concept of compliance among all employees.

Secondly, we strengthened mechanism construction and strictly adhered to the basic principle of compliant operation in accordance with law. We drafted the *Administrative Measures on Case Prevention* and amended the *Working Measures on Case Handling*, to further enhance our case prevention and management mechanism. We also drafted a letter of responsibility for case prevention and control, clearly defining and allocating the responsibilities of relevant departments at all levels so as to build a responsibility system for case prevention that involves everyone. We reinforced the prevention and control on case risks in key fields to implement case prevention and control in a more targeted manner.

Thirdly, we conducted internal supervision, and improved our work on inspection and supervision. We carried out diligence supervision and inspection over retail banking business, special assets business and other businesses, and launched major inspection programs to identify case risks and conduct special rectification on illegal fund-raising. With such combined efforts, we managed to comprehensively enhance the quality and value of our supervision and inspection work.

Fourthly, we enhanced internal control evaluation and rectification appraisal to advance the establishment of the quality control system. We formulated the *Guideline on Simplified Evaluation of Internal Control*, aiming to help the management of branches and sub-branches to quickly understand the basic conditions of internal control. We improved appraisal scheme for rectification and followed up with the rectification of key projects so as to enhance evaluation of the effectiveness of the rectification work.

Fifthly, we consolidated our work on system development to fully enhance IT-based management of our internal control and compliance. We optimised IT systems for internal control and compliance management, aiming to build an operation platform, a management platform and an information platform for internal control that is available to all employees and throughout the process. We made progress in building a compliance risk monitoring system, explored and developed risk monitoring models for key fields and enhanced the guiding role of off-site monitoring in our internal control and compliance work.

Internal Audit

During the reporting period, in accordance with the strategic decisions of the Board of Directors and the external regulatory requirements, we adopted a risk-oriented approach to conduct risk audit of key businesses including credit business, financial business and credit card business. We carried out specialized audit on internal control evaluation, small-sum loan companies and Custody Department/ Pension Management Center, and economic responsibility audit of the senior management of the Bank. We conducted off-site audit and monitoring on newly granted loans and supervision on the rectification of the problems identified by internal audit. We continued to enhance the development and applications of IT platforms for internal audit, training of audit skills and basic audit management, thereby effectively enhancing our supervision and service capability on audit, and promoting the implementation of strategic decisions and steady development of businesses of the Bank.

Profit and Dividend Distribution

As approved by the 2015 Annual General Meeting of the Bank, the Bank paid cash dividend to shareholders of A Shares and H Shares, whose names appeared on the Bank's registers of shareholders at the close of business on 6 July 2016. The cash dividend was RMB1.668 per ten ordinary shares (tax included), with a total of RMB54,176 million (tax included). The Bank did not propose to pay any interim dividend for 2016 and will not increase share capital by capitalizing its capital reserve.

Implementation of Cash Dividend Policy

The establishment and implementation of the Bank's cash dividend policy complies with the Articles of Association and the resolutions of the Shareholders' General Meeting of the Bank. The decision making procedures and mechanism for cash dividend are complete, and the distribution standards and proportion for dividend distribution are clearly identified. Our Independent Non-executive Directors have diligently performed their duties, duly played their roles and expressed their opinions. Our minority shareholders have opportunities to fully express their opinions and appeals, and their legitimate interests have been adequately protected.

Material Legal Proceedings and Arbitration and Matters of Public Concern

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

As of 30 June 2016, the sum in dispute of unresolved legal proceedings in which the Bank acted as a defendant, a respondent or a third person involved amounted to RMB9,150 million. The management of the Bank believes that we have made fully accrued allowance for the possible losses arising from the said legal proceedings and such events will not have any material adverse effect on our financial position or operating results.

Major Acquisition, Disposal and Merger

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

Related Party Transactions

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

The Bank had entered into various connected transactions with connected persons of the Bank (as defined in the Hong Kong Listing Rules), all of which were conducted in our ordinary course of business. Those transactions were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the relevant rules of the Hong Kong Listing Rules.

During the reporting period, the Bank extended loans to related natural persons (as defined in the *Administrative Measures on Information Disclosure by Listed Companies* issued by the CSRC). Such loans were in compliance with our pricing requirements and guarantees were provided for such loans. As of 30 June 2016, the total balance of such loans amounted to RMB4,740.7 thousand and the condition for such loans was normal.

For the related party transactions defined under the relevant accounting standards, please refer to "Note 48 Related Party Relations and Transactions" to the Condensed Consolidated Interim Financial Statements for more details.

Use of Proceeds

All proceeds raised by the Bank were used to strengthen the Bank's capital base to support the future development of its businesses as disclosed in the prospectuses.

Major Projects Invested with Non-raised Funds

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

Material Contracts and Performance of Obligations thereof

Material Custody, Contract and Lease

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

Material Guarantees

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

Commitments Made by the Bank or its Shareholders Holding 5% Shares or above

Subject of Commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder or de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities in China or abroad. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, it will immediately cease to participate in, manage or engage in such competing commercial banking activities. (2) If Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities.	15 July 2010	Valid for long-term	Continuous commitment and performed regularly

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

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

On 8 July 2015, the MOF and Huijin, the substantial shareholders of the Bank, undertook that they would not reduce their shareholding in the Bank during the unusual fluctuation of the stock market. The MOF and Huijin strictly performed such commitments.

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

During the reporting period, neither the Bank nor any of our Directors, Supervisors or Senior Management was subject to any inspection, administrative penalty or criticism by the CSRC, public reprimand by stock exchanges or any sanction imposed by other regulatory authorities that have material impact over the operation of the Bank.

Purchase, Sale or Redemption of the Bank's Shares

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

Implementation of Share Incentive Plan

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

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. Each of the Directors and Supervisors of the Bank had confirmed that they have complied with such code of conduct during the reporting period.

Rights of Directors and Supervisors to Acquire Shares or Debentures

As of 30 June 2016, the Bank had not granted any right to acquire shares or debentures to any of its Directors or Supervisors, nor was any of such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to obtain benefits by means of acquiring shares or debentures of the Bank or any other corporations.

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

As of 30 June 2016, Mr. ZHENG Xin, a Supervisor of the Bank, held 375,000 A Shares of the Bank. Save for the above, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which 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 and other persons, please refer to the section headed "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Interim Review

The 2016 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs were reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the PRC and International Standards on Review Engagements, respectively.

Change of External Auditors

During the reporting period, there was no change of the external auditors of the Bank.

Consumer Protection

We are committed to providing efficient and quality services for customers and promoting consumer protection under the laws. We improved our consumer protection system and working mechanism, increased resources invested in and improved the system of assessment and review of consumer interests protection. We also improved the management in product sales areas through sound recording and picture recording in the procedure of product sales, and enhanced the whole process management of products and services, so as to regulate operational behaviors and continuously improve our services. Furthermore, we continued to promote the trial mechanism of complaint classification to financial consumers. We also actively promoted inclusive finance by providing efficient and quality services to customers in County Areas and to special groups. To build a long-term finance knowledge popularization mechanism, activities such as "Promotion Campaign of Finance Knowledge" were launched to improve the risk prevention awareness and finance knowledge of the public.

Appendix I: Capital Adequacy Ratio Information

Pursuant to the *Capital Rules for Commercial Banks (Provisional) (Decree of CBRC [2012]No. 1)* issued by the China Banking Regulatory Commission (hereinafter referred to as the "CBRC"), and the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policy Documents for the Capital Regulation of Commercial Banks (CBRC [2013] No.33)*, the Bank discloses the following information.

I. Information of Capital Adequacy Ratio

On 2 April 2014, the CBRC approved the Bank's use of foundation Internal Ratings-Based (IRB) approach for non-retail exposures, IRB approach for retail exposures and standardized approach for operational risk on bank and group levels. The Bank is one of the first batch of banks which were approved for adopting advanced approaches of capital management. In accordance with the requirements under the *Capital Rules for Commercial Banks (Provisional)*, CBRC determined the parallel run period for a commercial bank approved to adopt the advanced approaches of capital management. During the parallel run period, the banks shall calculate its capital adequacy ratios under both advanced approaches and other approaches, and shall comply with the capital floor requirements.

II. Scope for Calculating Capital Adequacy Ratio

The scope for calculating the Bank's consolidated capital adequacy ratio includes the Bank and the financial institutions in which the Bank has direct or indirect investments in compliance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*. The scope for calculating the Bank's unconsolidated capital adequacy ratio includes all the domestic and foreign branches of the Bank.

III. Capital Adequacy Ratio and Risk-weighted Assets

As of 30 June 2016, the Bank adopted the foundation Internal Ratings-Based (IRB) approach for non-retail exposures and IRB approach for retail exposures to measure credit risk-weighted assets. Weighted approach was adopted to measure certain credit risk-weighted assets uncovered by IRB approach. Standardized measurement approach was adopted to measure market risk-weighted assets and operational risk-weighted assets. The table below sets out the net capital, risk-weighted assets and capital adequacy ratios pursuant to the *Capital Rules for Commercial Banks (Provisional)* calculated by the Bank.

In millions of RMB, except for percentages

Item	30 June 2016		31 December 2015	
	The Group	**The Bank**	The Group	The Bank
CET 1 capital, net	**1,170,335**	**1,160,143**	1,124,690	1,115,628
Additional Tier 1 Capital, net	**79,904**	**79,899**	79,902	79,899
Tier 1 capital, net	**1,250,239**	**1,240,042**	1,204,592	1,195,527
Tier 2 capital, net	**239,816**	**242,062**	267,028	266,067
Total capital, net	**1,490,055**	**1,482,104**	1,471,620	1,461,594
Risk-weighted assets	**11,629,603**	**11,554,339**	10,986,302	10,902,770
Credit risk-weighted assets	**10,642,923**	**10,571,319**	9,999,777	9,922,835
Portion covered by IRB	**7,989,967**	**7,989,967**	7,605,473	7,605,473
Portion uncovered by IRB	**2,652,956**	**2,581,352**	2,394,304	2,317,362
Market risk-weighted assets	**87,278**	**87,407**	87,123	84,322
Operational risk-weighted assets	**899,402**	**895,613**	899,402	895,613
Additional risk-weighted assets due to the capital floor requirement	**–**	**–**	–	–
CET 1 capital adequacy ratio	**10.06%**	**10.04%**	10.24%	10.23%
Tier 1 capital adequacy ratio	**10.75%**	**10.73%**	10.96%	10.97%
Capital adequacy ratio	**12.81%**	**12.83%**	13.40%	13.41%

As of 30 June 2016, the Bank's capital adequacy ratio measured by advanced approach for capital management declined compared with the end of 2015. In 2015, the dividend payment was RMB54,176 million and the amount of conventional subordinated bonds included into Tier 2 capital reduced by RMB15,000 million due to transitional arrangements, both totaling RMB69,176 million which resulted in the Bank's CET1 capital adequacy ratio, Tier 1 adequacy ratio and capital adequacy ratio amounting to 0.47%, 0.47% and 0.60%, respectively.

The table below sets out the consolidated and unconsolidated capital adequacy ratios, calculated in accordance with the Rules on *Capital Adequacy of Commercial Banks (Decree of CBRC[2007] No.11)*.

Item	30 June 2016		31 December 2015	
	The Group	**The Bank**	The Group	The Bank
Core capital adequacy ratio	**10.07%**	**10.11%**	10.00%	10.05%
Capital adequacy ratio	**12.97%**	**13.00%**	13.08%	13.13%

IV. Risk Exposure

(I) Credit Risk

The following tables set out the credit risk exposure of the Bank calculated according to the foundation IRB approach for non-retail exposures, IRB approach for retail exposures and weighted approach.

In millions of RMB

Item	**30 June 2016** Risk exposures	**30 June 2016** Risk-weighted assets	31 December 2015 Risk exposures	31 December 2015 Risk-weighted assets
Credit risk exposure covered by IRB				
Non-retail credit risk	**9,080,745**	**6,465,350**	9,223,583	6,225,214
Retail credit risk	**3,024,584**	**725,955**	2,707,028	646,943
Counterparty credit risk	**5,358**	**4,246**	4,497	3,853

In millions of RMB

Item	**30 June 2016** Risk exposures	**30 June 2016** Risk-weighted assets	31 December 2015 Risk exposures	31 December 2015 Risk-weighted assets
Credit risk exposure uncovered by IRB				
On-balance sheet credit risk	**7,873,140**	**2,328,493**	7,071,159	2,098,595
of which: asset securitization	**2,914**	**19,456**	3,140	11,543
Off-balance sheet credit risk	**591,098**	**309,018**	524,599	280,199
Counterparty credit risk	**19,112**	**15,445**	18,172	15,510

Please refer to "Discussion and Analysis – Risk Management" in 2016 Interim Report for details of overdue loans, non-performing loans and loan loss provisions.

(II) Market Risk

The following tables set out the Bank's market risk capital requirements measured by standardized approach.

In millions of RMB

Item	Capital requirements 30 June 2016	31 December 2015
Interest rate risk	**2,009**	1,758
Equity risk	**–**	–
Foreign exchange risk	**4,858**	5,141
Commodity risk	**115**	71
Option risk	**–**	–
Total	**6,982**	6,970

The following table sets out equity risk exposures in the banking book of the Bank.

In millions of RMB

Types of the invested entity	Risk exposures of publicly traded equity[1] 30 June 2016	31 December 2015	Risk exposures of non-publicly traded equity[1] 30 June 2016	31 December 2015	Unrealized profit or loss on potential risk[2] 30 June 2016	31 December 2015
Financial institutions	**1,265**	1,366	**1,507**	1,501	**98**	246
Companies	**103**	87	**3,028**	5,760	**(175)**	613
Total	**1,368**	1,453	**4,535**	7,261	**(77)**	859

Notes: 1. Risk exposures of publicly traded equity refer to the equity risk exposures of listed companies, and risk exposures of non-publicly traded equity refer to the equity risk exposures of unlisted companies.

2. Unrealized profit or loss on potential risk refers to gain or loss that has been recognized in the balance sheet but not yet been recognized in the income statement.

Please refer to "Discussion and Analysis – Risk Management" in 2016 Interim Report for details of interest rate risk of the Bank.

(III) Operational Risk

As at 30 June 2016, the Bank's operational risk capital requirement measured by standardized approach was RMB71,952 million. Please refer to "Discussion and Analysis – Risk Management" in 2016 Interim Report for details of operational risk management.

V. Contrast between Regulatory Consolidation and Accounting Consolidation

The Bank compiled the balance sheet of the Group under regulatory consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policy Documents for the Capital Regulation of Commercial Banks*. The contrast between the items of regulatory consolidation and accounting consolidation is shown in the table below.

In millions of RMB

	30 June 2016		31 December 2015		
Item	**Balance sheet as in financial statement**	**Balance sheet under regulatory consolidation**	Balance sheet as in financial statement	Balance sheet under regulatory consolidation	**Code**
Assets					
Cash and balances at central banks	**2,628,945**	**2,628,927**	2,587,057	2,587,040	A01
Deposits with banks and other financial institutions	**559,124**	**553,558**	697,923	695,409	A02
Placements with banks and other financial institutions	**368,411**	**368,411**	504,252	504,252	A03
Financial assets designated at fair value and changes included into the profits and losses for the period	**444,793**	**444,065**	439,261	439,249	A04
Derivative financial assets	**19,044**	**19,044**	16,038	16,038	A05
Financial assets held under resale agreements	**534,840**	**534,195**	471,809	470,187	A06
Interest receivables	**109,430**	**108,625**	104,775	104,233	A07
Loans and advances to customers	**8,995,284**	**8,994,045**	8,506,675	8,505,350	A08
Available-for-sale financial assets	**1,345,567**	**1,316,903**	1,214,542	1,198,763	A09
Held-to-maturity investments	**2,662,523**	**2,652,691**	2,300,824	2,293,754	A10
Accounts receivable investment	**589,673**	**574,418**	557,420	542,941	A11
Long term equity investment	**270**	**4,072**	273	3,075	A12
Fixed assets	**150,651**	**150,140**	156,178	155,710	A13
Land use rights	**22,686**	**22,686**	23,036	23,036	A14
Deferred tax assets	**78,900**	**78,900**	81,548	81,548	A15
Goodwill	**1,381**	**–**	1,381	–	A16
Intangible assets	**2,637**	**2,475**	2,740	2,566	A17
Other assets	**166,062**	**146,983**	125,661	98,209	A18
Total assets	**18,680,221**	**18,600,138**	17,791,393	17,721,360	A00

Appendix I: Capital Adequacy Ratio Information

Item	30 June 2016 Balance sheet as in financial statement	30 June 2016 Balance sheet under regulatory consolidation	31 December 2015 Balance sheet as in financial statement	31 December 2015 Balance sheet under regulatory consolidation	Code
Liabilities					
Borrowings from central bank	**66,038**	**66,038**	60,599	60,599	L01
Deposits from banks and other financial institutions	**1,135,915**	**1,138,757**	1,221,901	1,223,878	L02
Placements from banks and other financial institutions	**281,375**	**281,375**	315,759	315,759	L03
Financial liabilities designated at fair value and changes included into the profits and losses for the period	**312,899**	**312,903**	430,443	430,443	L04
Financial assets sold under repurchase agreements	**161,247**	**158,690**	88,804	88,804	L05
Due to customers	**14,524,837**	**14,524,860**	13,538,360	13,538,345	L06
Derivative financial liabilities	**22,137**	**22,137**	12,192	12,192	L07
Debt securities issued	**344,094**	**344,094**	382,742	382,742	L08
Employee salary payables	**36,688**	**36,566**	39,890	39,746	L09
Taxes payables	**18,350**	**18,338**	45,214	45,183	L10
Interest payables	**217,250**	**217,283**	225,383	225,421	L11
Deferred tax liabilities	**2**	**28**	111	12	L12
Provisions	**15,410**	**15,410**	17,682	17,682	L13
Other liabilities	**285,177**	**206,386**	200,428	129,937	L14
Total liabilities	**17,421,419**	**17,342,865**	16,579,508	16,510,743	L00
Owner's equity					
Paid-in capital	**324,794**	**324,794**	324,794	324,794	E01
Other equity instruments	**79,899**	**79,899**	79,899	79,899	E02
Capital reserve	**98,773**	**98,765**	98,773	98,765	E03
Surplus reserve	**96,811**	**96,809**	96,748	96,748	E04
General risk reserve	**198,148**	**198,148**	175,606	175,606	E05
Undistributed profits	**438,172**	**438,447**	412,005	412,110	E06
Minority interests	**2,469**	**619**	1,794	565	E07
Other comprehensive income	**19,736**	**19,792**	22,266	22,130	E08
of which: Foreign currency translation reserve	**160**	**160**	(163)	(163)	E09
Total owner's equity	**1,258,802**	**1,257,273**	1,211,885	1,210,617	E00

VI. Composition of Capital

Pursuant to the *Capital Rules for Commercial Banks (Provisional)*, the composition of regulatory capital of the Bank is shown in the table below.

In millions of RMB

Item		30 June 2016	31 December 2015	Code
CET 1 capital				
1	Paid-in capital	**324,794**	324,794	E01
2	Retained earnings	**733,404**	684,464	
2a	Surplus reserve	**96,809**	96,748	E04
2b	General reserve	**198,148**	175,606	E05
2c	Undistributed profits	**438,447**	412,110	E06
3	Accumulated other comprehensive income and disclosed reserve	**118,557**	120,895	
3a	Capital reserve	**98,765**	98,765	E03
3b	Others	**19,792**	22,130	E08
4	Directly issued capital subject to phase out from CET 1 capital (only applicable to non-joint stock companies, banks of joint stock companies just fill with "0")	**0**	0	
5	Common share capital issued by subsidiaries and held by third parties	**92**	132	
6	**CET 1 capital before regulatory adjustments**	**1,176,847**	1,130,285	
CET 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	**–**	–	
8	Goodwill (net of deferred tax liability)	**–**	–	A16
9	Other intangible assets other than land use rights (net of deferred tax liability)	**2,475**	2,566	A17
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**–**	–	
11	Cash-flow hedge reserve to the items not calculated at fair value	**–**	–	
12	Shortfall of provisions to expected losses on loans	**–**	–	
13	Securitization gain on sale	**–**	–	
14	Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	**–**	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**–**	–	
17	Reciprocal cross-holdings in common equity	**–**	–	

Appendix I: Capital Adequacy Ratio Information

Item		30 June 2016	31 December 2015	Code
18	Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
19	Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
20	Mortgage servicing rights	**–**	–	
21	Other deductible amount in the net differed tax asset that rely on future profitability of the bank	**–**	–	
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets that rely on the Bank's future profitability (amount exceeding the 15% of the CET 1 capital)	**–**	–	
23	of which: significant investments in the capital of financial institutions	**–**	–	
24	of which: mortgage servicing rights	**–**	–	
25	of which: deductible amount in other net deferred tax assets that rely on the Bank's future profitability	**–**	–	
26a	Investment in CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	**4,037**	3,029	
26b	Shortfall of CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	**–**	–	
26c	Total other items deductible from CET 1 capital	**–**	–	
27	Regulatory adjustments applied to CET 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	**–**	–	
28	**Total regulatory adjustments to CET 1 capital**	**6,512**	5,595	
29	**CET 1 capital**	**1,170,335**	1,124,690	
Additional Tier 1 capital				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	**79,899**	79,899	
31	of which: classified as equity	**79,899**	79,899	E02
32	of which: classified as liabilities	**–**	–	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	**–**	–	
34	Minority interest given recognition in Tier 1	**5**	3	
35	of which: instruments issued by subsidiaries subject to phase out	**(1)**	(2)	
36	**Additional Tier 1 capital before regulatory adjustments**	**79,904**	79,902	

Appendix I: Capital Adequacy Ratio Information

Item		30 June 2016	31 December 2015	Code
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments	**–**	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	**–**	–	
39	Additional Tier 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
40	Additional Tier 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
41c	Other items deductible from Additional Tier 1 capital	**–**	–	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	**–**	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**–**	–	
44	**Additional Tier 1 capital**	**79,904**	79,902	
45	**Tier 1 capital (CET 1 capital + Additional Tier 1 capital)**	**1,250,239**	1,204,592	
Tier 2 capital				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	**120,000**	135,000	
47	Directly issued capital instruments subject to phase out from Tier 2	**90,000**	105,000	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**12**	10	
49	of which: Portions not given recognition after the transition period	**(1)**	(2)	
50	Excess loan loss provisions	**119,804**	132,018	
51	**Tier 2 capital before regulatory adjustments**	**239,816**	267,028	
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	**–**	–	
53	Reciprocal cross-holdings in Tier 2 instruments	**–**	–	
54	Tier 2 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	

Item		30 June 2016	31 December 2015	Code
55	Tier 2 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
56a	Investments in Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
56b	Shortfall of Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
56c	Other items deductible from Tier 2 capital	**–**	–	
57	**Total regulatory adjustments to Tier 2 capital**	**–**	–	
58	**Tier 2 capital**	**239,816**	267,028	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	**1,490,055**	1,471,620	
60	**Total risk weighed assets**	**11,629,603**	10,986,302	
Capital adequacy ratios and reserve capital requirements				
61	CET 1 capital adequacy ratio	**10.06%**	10.24%	
62	Tier 1 capital adequacy ratio	**10.75%**	10.96%	
63	Capital adequacy ratio	**12.81%**	13.40%	
64	Institution specific buffer requirement	**3.50%**	3.50%	
65	of which:capital conservation buffer requirement	**2.50%**	2.50%	
66	of which: countercyclical buffer requirement	**0.00%**	0.00%	
67	of which: G-SIB buffer requirement	**1.00%**	1.00%	
68	CET 1 capital available to meet buffers (as a percentage of risk weighted assets)	**4.75%**	4.96%	
National minima				
69	CET 1 minimum ratio	**5%**	5%	
70	Tier 1 minimum ratio	**6%**	6%	
71	Total capital minimum ratio	**8%**	8%	
Amounts not deducted from the thresholds for deduction				
72	Non-significant investments in the capital of other unconsolidated financial institutions	**67,523**	71,765	
73	Significant investments in the common stock of unconsolidated financial institutions	**1,691**	784	
74	Mortgage servicing rights (net of related tax liability)	**N/A**	N/A	
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	**78,872**	81,536	A15-L12
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital				
76	Provisions for excess loan loss actually provided under the Weighting Approach	**27,395**	36,331	

Item		30 June 2016	31 December 2015	Code
77	The amount of provisions eligible for inclusion in Tier 2 capital excess loan loss under the Weighting Approach	**27,395**	29,559	
78	Provisions for loan loss actually provided under the Internal Ratings-Based approach	**117,288**	147,290	
79	The amount of provisions eligible for inclusion in Tier 2 capital excess loan loss under the Internal Ratings-Based Approach	**92,409**	102,459	
Capital instruments subject to phase-out arrangements				
80	Amount included in CET 1 capital due to transitional arrangements	**–**	–	
81	Amount excluded from CET 1 capital due to transitional arrangements	**–**	–	
82	Amount included in Additional Tier 1 capital due to transitional arrangements	**–**	–	
83	Amount excluded from Additional Tier 1 capital due to transitional arrangements	**–**	–	
84	Amount included in Tier 2 instruments due to transitional arrangements	**90,000**	105,000	
85	Amount excluded from Tier 2 due to transitional arrangements	**35,000**	20,000	

VII. Main Features of Eligible Capital Instruments

As of 30 June 2016, the eligible capital instruments of the Bank included common stocks, preference shares and Tier 2 capital instrument. On 15 July 2010, A-shares of the Bank were listed on the Shanghai Stock Exchange, and H-shares of the Bank were listed on the Hong Kong Stock Exchange on 16 July 2010. In September 2014, the Bank was approved to conduct a private issue of no more than 800 million preference shares in China to raise no more than RMB80 billion with multiple issuances. As at 13 November 2014, the Bank completed the first issuance of 400 million preference shares, with RMB40 billion raised. In March 2015, the Bank completed the second issuance of 400 million preference shares, with RMB40 billion raised. All of the raised funds after deducting issue expenses are used to replenish Additional Tier 1 capital.

During the period from 2009 to 2012, the Bank issued in aggregate conventional subordinated bonds amounting to RMB150 billion in the PRC inter-bank bond market. Pursuant to the requirement of *Capital Rules for Commercial Banks (Provisional)*, since 2013, the amount of conventional subordinated bonds that can be included in regulatory capital shall be reduced year by year. In May 2014, the Bank completed the redemption of subordinated bonds in amount of RMB25 billion under the exercise of redemption option. As of 30 June 2016, the balance of conventional subordinated bonds of the Bank was RMB125 billion, of which RMB90 billion was included into Tier 2 capital. As at 18 August 2014, with the approval from the CBRC and PBOC, the Bank successfully issued Tier 2 capital bonds amounting to RMB30 billion in national inter-banks securities market, all of which were included into Tier 2 capital.

The following table sets forth the main features of eligible capital instruments of the Bank.

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288	360001 and 360009	1428012
3	Governing laws	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Stocks on Shanghai Stock Exchange", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter bank Bond Market", etc.
	Regulatory treatments				
4	of which: Application of Capital Rules for Commercial Banks (Provisional) transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Tier 2 capital
5	of which: Application of Capital Rules for Commercial Banks (Provisional) post-transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Tier 2 capital
6	of which: Eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Tier 2 capital bonds
8	Recognized in regulatory capital (in million RMB, most recent reporting date)	294,055	30,739	79,899	30,000
9	Par value	RMB1	RMB1	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Liability
11	Original date of issuance	2010–07–15	2010–07–16	2014–10–31 and 2015–03–06	2014–08–18
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
13	of which: Original maturity dates	No maturity date	No maturity date	No maturity date	2024–08–18
14	Issuer call subject to prior regulatory approval	No	No	No	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount	–	–	–	2019–08–18
16	of which: Subsequent call dates, if applicable	–	–	–	–
	Bonus or Dividends				

Appendix I: Capital Adequacy Ratio Information

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
17	of which: Fixed or floating dividend/bonus	Floating	Floating	The coupon rate of the preference shares will be adjusted every 5 years. The dividend of the preference shares under the Issuance will be paid at an agreed fixed coupon rate during each dividend adjustment period.	Fixed
18	of which: Coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	Coupon rate of the first dividend adjustment period of the first issuance of preference shares is 6%. Coupon rate of the first dividend adjustment period of the second issuance of preference shares is 5.5%.	5.8%
19	of which: Existence of a dividend stopper	No	No	Yes	No
20	of which: Whether fully discretionary in cancellation of bonus or dividend	Full discretionary	Full discretionary	Full discretionary	Without discretionary
21	of which: Existence of step up or other incentive to redeem	No	No	No	No
22	of which: cumulative or Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	Yes	No
24	of which: If convertible, specify conversion trigger(s)	–	–	(1) If the CET 1 capital adequacy rate of the Bank decreased to 5.125% (or below), the preference shares issued will be fully or partially transferred to ordinary shares of A share, in order to make the CET 1 capital adequacy rate resumed to above 5.125%. In case of partial transfer, all preference shares issued will be transferred in proportion on the same conditions.	–

	Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
			(2) All preference shares issued will be transferred into ordinary shares of A share in case of the earlier occurrence of the following two situations: 1 the CBRC considers that the Bank could not survive in case no conversion will be carried out; 2 relevant authority considers that the Bank could not survive in case no capital injection with public departments or no provision of support with the same effectiveness. If the Bank mandatorily transfer the issued preference shares to ordinary shares, it shall report to the CBRC for investigation and making decision, and shall perform the obligations of disclosure of temporary reports and announcements in accordance with Securities Law of the People's Republic of China and relevant requirements of the CSRC.	
25 of which: If convertible, fully or partially	–	–	Fully or partially	–

	Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
26 of which: If convertible, determine methods for conversion price	–	–	The initial conversion price of the preference shares under the Issuance shall be the average trading price of the ordinary shares of the A Share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan (i.e. RMB2.43 per share). After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares (excluding the ordinary shares that may be converted from the convertible capital instruments issued by the Bank such as preference shares and convertible corporate bonds), conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events. The specific adjustment measures are as follows:	–

	Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
			In the event of issuing stock dividends or converting capital reserves to share capital: P1=P0/(1+n); In the event of conducting follow-on issuances of shares or rights issue: P1=P0×(N+Q×(A/M))/(N+Q); Among which: "P0" is the conversion price before the adjustment; "n" is the ratio of stock dividends or converting capital reserves to share capital; "Q" is the number of ordinary shares issued in the follow-on issuances of shares or the rights issue; "N" is the total number of the Bank's ordinary shares before the increase or rights issue; "A" is the subscription price of the follow-on issuances of shares or rights issue; "M" is the newly issued shares' closing price on the trading day one day prior to the date of the effective and irrevocable announcement on offering results in the follow-on issuances of shares or rights issue; P1 is the adjusted conversion price.	

	Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
			When the above changes in the Bank's shares and/or shareholder's interests occur, the Bank will adjust the conversion price in sequence, and will make corresponding information disclosure in accordance with relevant requirements. The mandatory conversion price of the preference shares will not be adjusted according to the Bank's distribution of cash dividends on ordinary shares.	
27 of which: If convertible, mandatory or optional conversion	–	–	Yes	–
28 of which: If convertible, specify instrument type convertible into	–	–	Ordinary Shares	–
29 of which: If convertible, specify issuer of instrument it converts into	–	–	Agricultural Bank of China Limited	–
30 Write-down feature	No	No	No	Yes
31 of which: If write-down, write-down trigger(s)	–	–	–	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBRC considers that the issuer could not survive if no write–down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with public departments or no provision of support with the same effectiveness.
32 of which: If write-down, full or partial	–	–	–	Full write-down

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
33	of which: If write-down, permanent or temporary	–	–	–	Permanent
34	of which: If temporary write-down, description of write-up mechanism	–	–	–	–
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments	Subordinate to the depositors and creditors, and prior to equity capital and other Tier 1 capital instrument
36	Non-eligible transitioned features	No	No	No	No
37	of which: If yes, specify non-eligible features	–	–	–	–

Appendix II: Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio in accordance with relevant regulations of the CBRC.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional), it is required that the liquidity coverage ratio of commercial banks should reach 100% by the end of 2018. During the transition period, the liquidity coverage ratio should reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively. Eligible commercial banks were encouraged to fulfill the requirements in advance within the transition period. In addition, in accordance with the Rules on Disclosure for Liquidity Coverage Ratio Information of Commercial Banks, commercial banks are required to disclose the liquidity coverage ratio information at the same frequency as issuing the financial report, and to disclose the simple average of the liquidity coverage ratio based on monthly data in every quarter before 2017.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) and applicable calculation requirements. The average of monthly liquidity coverage ratio of the Bank was 138.6% in the second quarter of 2016, representing an increase of 0.3 percentage points over the previous quarter. The liquidity coverage ratio remained flat mainly due to the combined effects of the increase in PRC government bonds and local government bonds investments, resulting in higher growth in high-quality liquid assets, and the increase in the cash outflows resulting from increase in the unsecured wholesale funding. Our liquidity coverage ratio in the second quarter of 2016 reflected a downward and then upward trend. At the end of April, under the effect of the decrease in the secured lending (eg reverse repos), the liquidity coverage ratio decreased as compared to the previous month; at the end of May, the liquidity coverage ratio basically remained stable as compared to the previous month as a result of the increase of high-quality liquid assets and decrease of unsecured wholesale funding; at the end of June, the liquidity coverage ratio recorded significant growth as compared to the previous month as a result of the increase in cash inflows due to the significant increase in secured lending (eg reverse repos). The averages of the observations of the liquidity coverage ratio and individual line items over the second quarter in 2016 are as follows:

In ten thousands of RMB, except for percentages

Item		Total Unweighted Value	Total Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		398,685,452
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	922,634,652	85,125,646
3	*Stable deposits*	142,756,374	7,137,818
4	*Less stable deposits*	779,878,278	77,987,828
5	Unsecured wholesale funding, of which:	564,194,699	222,698,933
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	164,309,022	40,030,626
7	*Non-operational deposits (all counterparties)*	395,628,921	178,411,551
8	*Unsecured debt*	4,256,756	4,256,756
9	Secured wholesale funding		1,077,000
10	Additional requirements, of which:	157,609,061	46,787,187
11	*Outflows related to derivative exposures and other collateral requirements*	36,525,502	36,525,502
12	*Outflows related to loss of funding on debt products*	72,865	72,865
13	*Credit and liquidity facilities*	121,010,694	10,188,820
14	Other contractual funding obligations	30,202,360	733,956
15	Other contingent funding obligations	69,991,662	35,188,071
16	TOTAL CASH OUTFLOWS		391,610,793
CASH INFLOWS			
17	Secured lending (eg reverse repos)	18,862,797	18,817,224
18	Inflows from fully performing exposures	81,873,446	47,783,070
19	Other cash inflows	37,407,390	37,090,272
20	TOTAL CASH INFLOWS	138,143,633	103,690,566
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		398,685,452
22	TOTAL NET CASH OUTFLOWS		287,923,544
23	LIQUIDITY COVERAGE RATIO (%)		138.6%

Appendix III: Leverage Ratio Information

At the end of June 2016, the Bank's leverage ratio, calculated in accordance with the Rules for the Administration of the Leverage Ratio of Commercial Banks (amended), was 6.26%.

In millions of RMB, except for percentages

Item	30 June 2016	31 March 2016	31 December 2015	30 September 2015
Tier 1 capital, net	1,250,239	1,256,927	1,204,592	1,167,147
Adjusted on-and off-balance sheet assets	19,965,373	19,684,797	19,016,486	18,974,719
Leverage ratio	6.26%	6.39%	6.33%	6.15%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	18,680,221
2	Adjustment for consolidation	(80,083)
3	Adjustment for clients' assets	–
4	Adjustment for derivatives	7,107
5	Adjustment for securities financing transactions	–
6	Adjustment for off-balance sheet items	1,364,640
7	Other adjustments	(6,512)
8	**Adjusted on-and off-balance sheet assets**	**19,965,373**

Appendix III: Leverage Ratio Information

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	18,046,899
2	Less: deductions from Tier 1 capital	(6,512)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	18,040,387
4	Replacement cost of all derivatives (net of eligible margin)	10,659
5	Potential exposure of all derivatives	15,492
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	–
8	Less: derivative assets resulting from transactions with the central counterparty when providing clearance services to clients	–
9	Notional principal amount of written credit derivatives	–
10	Less: deductible amounts of written credit derivative assets	–
11	**Derivative assets**	26,151
12	Securities financing transaction assets for accounting purpose	534,195
13	Less: deductible amounts of securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction	–
15	Securities financing transaction assets resulting from agent transaction	–
16	**Securities financing transaction assets**	534,195
17	Off-balance sheet items	2,013,456
18	Less: off-balance sheet items arising from any deduction for credit conversion	(648,816)
19	**Adjusted off-balance sheet items**	1,364,640
20	Tier 1 capital, net	1,250,239
21	Adjusted on-and off-balance sheet assets	19,965,373
22	**Leverage ratio**	6.26%

Interim Financial Information

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羅兵咸永道

To the Board of Directors of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 117 to 233, which comprises the condensed consolidated interim statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2016

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Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)
Interest income	6	**329,760**	363,830
Interest expense	6	**(130,803)**	(144,337)
Net interest income	6	**198,957**	219,493
Fee and commission income	7	**54,446**	50,160
Fee and commission expense	7	**(3,338)**	(2,517)
Net fee and commission income	7	**51,108**	47,643
Net trading gain	8	**1,331**	688
Net (loss)/gain on financial instruments designated at fair value through profit or loss	9	**(1,262)**	966
Net gain on investment securities		**615**	801
Other operating income	10	**11,755**	6,718
Operating income		**262,504**	276,309
Operating expenses	11	**(94,309)**	(102,309)
Impairment losses on assets	12	**(36,735)**	(39,321)
Operating profit		**131,460**	134,679
Share of result of associate		**(3)**	–
Profit before tax		**131,457**	134,679
Income tax expense	13	**(26,406)**	(30,115)
Profit for the period		**105,051**	104,564
Attributable to:			
Equity holders of the Bank		**105,148**	104,315
Non-controlling interests		**(97)**	249
		105,051	104,564
Earnings per share attributable to the equity holders of the Bank (expressed in RMB yuan per share)			
– Basic and diluted	15	**0.32**	0.32

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit for the period	**105,051**	104,564
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	**(4,043)**	5,499
Income tax impact for fair value changes on available-for-sale financial assets	**1,001**	(1,392)
Foreign currency translation differences	**323**	(89)
Other comprehensive (loss)/income, net of tax	**(2,719)**	4,018
Total comprehensive income for the period	**102,332**	108,582
Total comprehensive income attributable to:		
Equity holders of the Bank	**102,618**	108,421
Non-controlling interests	**(286)**	161
	102,332	108,582

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

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2016 (Unaudited)**	31 December 2015 (Audited)
Assets			
Cash and balances with central banks	16	**2,628,945**	2,587,057
Deposits with banks and other financial institutions	17	**559,124**	697,923
Precious metals		**54,578**	40,909
Placements with and loans to banks and other financial institutions	18	**368,411**	504,252
Financial assets held for trading	19	**118,447**	79,782
Financial assets designated at fair value through profit or loss	20	**326,346**	359,479
Derivative financial assets	21	**19,044**	16,038
Financial assets held under resale agreements	22	**534,840**	471,809
Loans and advances to customers	23	**8,995,284**	8,506,675
Available-for-sale financial assets	24	**1,345,567**	1,214,542
Held-to-maturity investments	25	**2,662,523**	2,300,824
Debt instruments classified as receivables	26	**589,673**	557,420
Investment in associate	27	**270**	273
Property and equipment	28	**150,651**	156,178
Goodwill		**1,381**	1,381
Deferred tax assets	29	**78,900**	81,548
Other assets	30	**246,237**	215,303
Total assets		**18,680,221**	17,791,393
Liabilities			
Borrowings from central banks	31	**66,038**	60,599
Deposits from banks and other financial institutions	32	**1,135,915**	1,221,901
Placements from banks and other financial institutions	33	**281,375**	315,759
Financial liabilities held for trading	34	**19,150**	24,036
Financial liabilities designated at fair value through profit or loss	35	**293,749**	406,407
Derivative financial liabilities	21	**22,137**	12,192
Financial assets sold under repurchase agreements	36	**161,247**	88,804
Due to customers	37	**14,524,837**	13,538,360
Dividends payable	14	**54,176**	–
Debt securities issued	38	**344,094**	382,742
Deferred tax liabilities	29	**2**	111
Other liabilities	39	**518,699**	528,597
Total liabilities		**17,421,419**	16,579,508

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2016

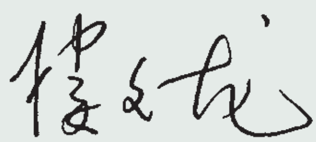
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Equity			
Ordinary shares	40	**324,794**	324,794
Preference shares	41	**79,899**	79,899
Capital reserve	42	**98,773**	98,773
Investment revaluation reserve	43	**19,576**	22,429
Surplus reserve	44	**96,811**	96,748
General reserve	45	**198,148**	175,606
Retained earnings		**438,172**	412,005
Foreign currency translation reserve		**160**	(163)
Equity attributable to equity holders of the Bank		**1,256,333**	1,210,091
Non-controlling interests		**2,469**	1,794
Total equity		**1,258,802**	1,211,885
Total equity and liabilities		**18,680,221**	17,791,393

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

Approved and authorized for issue by the Board of Directors on 26 August 2016.

Chairman



Executive Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes	Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2016 (Audited)		**324,794**	**79,899**	**98,773**	**22,429**	**96,748**	**175,606**	**412,005**	**(163)**	**1,210,091**	**1,794**	**1,211,885**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**105,148**	**–**	**105,148**	**(97)**	**105,051**
Other comprehensive (loss)/income		**–**	**–**	**–**	**(2,853)**	**–**	**–**	**–**	**323**	**(2,530)**	**(189)**	**(2,719)**
Total comprehensive (loss)/income for the period		**–**	**–**	**–**	**(2,853)**	**–**	**–**	**105,148**	**323**	**102,618**	**(286)**	**102,332**
Capital contribution from equity holders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**961**	**961**
Appropriation to surplus reserve	44	**–**	**–**	**–**	**–**	**63**	**–**	**(63)**	**–**	**–**	**–**	**–**
Appropriation to general reserve	45	**–**	**–**	**–**	**–**	**–**	**22,542**	**(22,542)**	**–**	**–**	**–**	**–**
Dividends paid to ordinary shareholders	14	**–**	**–**	**–**	**–**	**–**	**–**	**(54,176)**	**–**	**(54,176)**	**–**	**(54,176)**
Dividends paid to preference shareholders	14	**–**	**–**	**–**	**–**	**–**	**–**	**(2,200)**	**–**	**(2,200)**	**–**	**(2,200)**
As at 30 June 2016 (Unaudited)		**324,794**	**79,899**	**98,773**	**19,576**	**96,811**	**198,148**	**438,172**	**160**	**1,256,333**	**2,469**	**1,258,802**
As at 1 January 2015 (Audited)		324,794	39,944	98,773	3,118	78,594	156,707	329,989	(853)	1,031,066	1,553	1,032,619
Profit for the period		–	–	–	–	–	–	104,315	–	104,315	249	104,564
Other comprehensive income/(loss)		–	–	–	4,195	–	–	–	(89)	4,106	(88)	4,018
Total comprehensive income/(loss) for the period		–	–	–	4,195	–	–	104,315	(89)	108,421	161	108,582
Issuance of preference shares	41	–	39,955	–	–	–	–	–	–	39,955	–	39,955
Appropriation to surplus reserve	44	–	–	–	–	45	–	(45)	–	–	–	–
Appropriation to general reserve	45	–	–	–	–	–	18,823	(18,823)	–	–	–	–
Dividends paid to ordinary shareholders	14	–	–	–	–	–	–	(59,113)	–	(59,113)	–	(59,113)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(1)	(1)
As at 30 June 2015 (Unaudited)		324,794	79,899	98,773	7,313	78,639	175,530	356,323	(942)	1,120,329	1,713	1,122,042
Profit for the period		–	–	–	–	–	–	76,267	–	76,267	(57)	76,210
Other comprehensive income		–	–	–	15,116	–	–	–	779	15,895	159	16,054
Total comprehensive income for the period		–	–	–	15,116	–	–	76,267	779	92,162	102	92,264
Appropriation to surplus reserve	44	–	–	–	–	18,109	–	(18,109)	–	–	–	–
Appropriation to general reserve	45	–	–	–	–	–	76	(76)	–	–	–	–
Dividends paid to preference shareholders		–	–	–	–	–	–	(2,400)	–	(2,400)	–	(2,400)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(21)	(21)
As at 31 December 2015 (Audited)		324,794	79,899	98,773	22,429	96,748	175,606	412,005	(163)	1,210,091	1,794	1,211,885

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**131,457**	134,679
Adjustments for:		
Amortization of intangible assets and other assets	**1,369**	1,348
Depreciation of property and equipment	**8,077**	8,279
Impairment losses on assets	**36,735**	39,321
Interest income arising from investment securities	**(80,757)**	(68,574)
Interest income arising from impaired loans and advances to customers	**(1,114)**	(823)
Interest expense on debt securities issued	**5,975**	5,522
Revaluation gain on financial instruments at fair value through profit or loss	**817**	186
Net gain on investment securities	**(615)**	(801)
Share of result of associate	**3**	–
Net gain on disposal of property, equipment and other assets	**(93)**	(88)
Net foreign exchange (gain)/loss	**(8,406)**	1,439
	93,448	120,488
Net change in operating assets and operating liabilities:		
Net decrease/(increase) in balances with central banks, deposits with banks and other financial institutions	**78,658**	(86,670)
Net increase in placements with and loans to banks and other financial institutions	**(38,944)**	(24,217)
Net decrease/(increase) in financial assets held under resale agreements	**164,677**	(120,775)
Net increase in loans and advances to customers	**(509,992)**	(630,656)
Net increase/(decrease) in borrowings from central banks	**5,439**	(78,416)
Net (decrease)/increase in placements from banks and other financial institutions	**(34,384)**	66,018
Net increase in due to customers and deposits from banks and other financial institutions	**900,491**	1,400,997
Increase in other operating assets	**(61,367)**	(41,701)
Decrease in other operating liabilities	**(14,393)**	(34,366)
Cash from operations	**583,633**	570,702
Income tax paid	**(48,864)**	(50,354)
NET CASH FROM OPERATING ACTIVITIES	**534,769**	520,348

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		**624,695**	394,329
Cash received from interest income arising from investment securities		**72,111**	59,756
Cash received from disposal of property, equipment and other assets		**276**	718
Cash paid for purchase of investment securities		**(1,149,671)**	(847,439)
Cash paid for purchase of property, equipment and other assets		**(5,198)**	(7,385)
NET CASH USED IN INVESTING ACTIVITIES		**(457,787)**	(400,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from preference shareholders		**–**	40,000
Cash received from debt securities issued		**402,907**	176,530
Repayments of debt securities issued		**(442,084)**	(176,254)
Cash payments for interest on debt securities issued		**(6,059)**	(5,390)
Cash payments for transaction cost of preference shares issued		**–**	(56)
Cash payments for transaction cost of debt securities issued		**(6)**	(10)
Capital contribution from non-controlling interests		**961**	–
Dividends paid to:		**(2,200)**	(1)
Preference shareholders		**(2,200)**	–
Non-controlling interests		**–**	(1)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(46,481)**	34,819
NET INCREASE IN CASH AND CASH EQUIVALENTS		**30,501**	155,146
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**821,969**	738,241
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**4,323**	(704)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	46	**856,793**	892,683
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**239,013**	279,377
Interest paid		**(133,004)**	(137,941)

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

1 GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000005472 issued by the State Administration of Industry and Commerce of the PRC. The registered office of the Bank is located at No.69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custody services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in the Mainland China are referred to as "Domestic Operations". Branches and subsidiaries registered and operating outside of the Mainland China are referred to as "Overseas Operations".

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015, which have been audited.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Amendments to the accounting standards effective in 2016 and adopted by the Group

In the current interim period, the Group has adopted the following amendments to the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015.

(1)	IFRS 14	Regulatory Deferral Account
(2)	Amendments to IFRS 11	Acquisition of Interests in Joint Operations
(3)	Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
(4)	Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants
(5)	Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 cycle
(6)	Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
(7)	Amendments to IAS 1	Disclosure Initiative

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

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

				Effective for annual periods beginning on or after
(1)	Amendments to IAS 12	(i)	Income Taxes	1 January 2017
(2)	Amendments to IAS 7	(i)	Statement of Cash Flows	1 January 2017
(3)	IFRS 15	(i)	Revenue from Contracts with Customers	1 January 2018
(4)	Amendments to IFRS 10 and IAS 28	(i)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred indefinitely.
(5)	Amendments to IFRS 2	(ii)	Share – based Payment	1 January 2018
(6)	IFRS 9	(iii)	Financial Instruments	1 January 2018
(7)	IFRS 16	(iii)	Leases	1 January 2019

(i) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) On 20 June 2016, the IASB issued an amendment to IFRS 2, "Share-based Payment", addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(iii) Descriptions of IFRS 16 and IFRS 9 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group is in the process of assessing the impact on the Group's consolidated financial statements from these new standards.

3.3 Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46) and the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No. 70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from credit business, fee income on financial services, income from insurance business and trading of financial products at 6%, instead of business tax at 5% prior to 1 May 2016.

In accordance with Cai Shui [2016] No. 46 referred to above, the Bank may elect to adopt a simplified methodology to calculate value-added taxes at 3% on interest income derived from loans granted to farming households, rural enterprises and other rural institutions by county-level sub-branches included in the Bank's pilot programs of the Sannong Finance Division, including those under the Bank's provincial branches in provinces, autonomous regions, municipalities directly under the central government and municipalities with independent budgetary status as well as those under the Xinjiang Production and Construction Corps Branch.

After the implementation of the VAT Pilot Programs, the Group's interest income, fee and commission income, trading gain of financial products and insurance premium are presented net of their respective VAT in the condensed consolidated interim financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(Amounts in millions of Renminbi, unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2015.

5 INVESTMENT IN SUBSIDIARIES

(1) The following are the principal subsidiaries of the Bank as at 30 June 2016:

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB3,000,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,000	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB200,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB20,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB100,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii)	19 December 2005	Beijing, PRC	RMB2,510,892,085	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR 20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB1,400,000,000	100.00	100.00	Banking

5 INVESTMENT IN SUBSIDIARIES (Continued)

(1) The following are the principal subsidiaries of the Bank as at 30 June 2016: (Continued)

During the six months ended 30 June 2016, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

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

(ii) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance") and the Group recognized goodwill of RMB1,381 million as a result of this acquisition.

During the six months ended 30 June 2016, the Bank and other investors contributed additional capital of RMB1,961 million to ABC Life Insurance, including registered capital of RMB478 million and capital reserve of RMB1,483 million.

(2) In addition, the Group also consolidated other structured entities, representing investments in special purpose trusts founded by third party trust companies for asset backed securities issued by the Group (Note 49 Structured Entities). The Group controls these entities because the Group is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect returns through its power over these entities.

(Amounts in millions of Renminbi, unless otherwise stated)

6 NET INTEREST INCOME

	Six months ended 30 June	
	2016	2015
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	**135,880**	165,807
Personal loans and advances	**65,656**	72,050
Discounted bills	**6,323**	4,880
Subtotal	**207,859**	242,737
Held-to-maturity investments	**47,539**	38,400
Available-for-sale financial assets	**22,714**	20,395
Balances with central banks	**19,209**	20,112
Debt instruments classified as receivables	**10,504**	9,779
Deposits with banks and other financial institutions	**10,046**	12,590
Placements with and loans to banks and other financial institutions	**6,227**	6,692
Financial assets held under resale agreements	**4,247**	12,047
Financial assets held for trading	**1,274**	957
Financial assets designated at fair value through profit or loss	**141**	121
Subtotal	**329,760**	363,830
Interest expense		
Due to customers	**(105,839)**	(118,098)
Deposits from banks and other financial institutions	**(14,432)**	(16,493)
Debt securities issued	**(5,975)**	(5,522)
Placements from banks and other financial institutions	**(2,090)**	(2,253)
Borrowings from central banks	**(1,474)**	(1,479)
Financial assets sold under repurchase agreements	**(993)**	(492)
Subtotal	**(130,803)**	(144,337)
Net interest income	**198,957**	219,493
Interest income accrued on impaired financial assets (included within interest income)	**1,114**	823

(Amounts in millions of Renminbi, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June 2016	2015
Fee and commission income		
Agency services	**20,476**	16,153
Bank card	**9,829**	10,408
Settlement and clearing services	**9,052**	9,492
Consultancy and advisory services	**6,553**	6,450
Electronic banking services	**5,377**	4,375
Custodian and other fiduciary	**1,802**	1,679
Credit commitment	**1,273**	1,496
Others	**84**	107
Subtotal	**54,446**	50,160
Fee and commission expense		
Bank card	**(1,913)**	(1,050)
Settlement and clearing services	**(634)**	(844)
Electronic banking services	**(475)**	(342)
Others	**(316)**	(281)
Subtotal	**(3,338)**	(2,517)
Net fee and commission income	**51,108**	47,643

8 NET TRADING GAIN

		Six months ended 30 June 2016	2015
Net gain on precious metals	(1)	**909**	453
Net gain on foreign exchange rate derivatives		**826**	116
Net (loss)/gain on held-for-trading debt securities		**(75)**	131
Net loss on interest rate derivatives		**(329)**	(12)
Total		**1,331**	688

(1) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

(Amounts in millions of Renminbi, unless otherwise stated)

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

	Six months ended 30 June	
	2016	2015
Net gain on debt securities	**37**	25
Net (loss)/gain on principal guaranteed wealth management products	**(1,222)**	909
Others	**(77)**	32
Total	**(1,262)**	966

10 OTHER OPERATING INCOME

	Six months ended 30 June	
	2016	2015
Insurance premium	**8,511**	4,384
Government grant	**1,582**	1,789
Net gain/(loss) on foreign exchange	**655**	(5)
Rental income	**202**	140
Gain on disposal of property and equipment	**136**	93
Others	**669**	317
Total	**11,755**	6,718

11 OPERATING EXPENSES

		Six months ended 30 June	
		2016	2015
Staff costs	(1)	**52,126**	53,679
General operating and administrative expenses		**16,622**	17,757
Depreciation and amortization		**9,446**	9,627
Business tax and surcharges	(2)	**9,071**	15,059
Insurance benefits and claims		**8,655**	4,476
Provision for guarantees and commitments		**(2,861)**	1,343
Others		**1,250**	368
Total		**94,309**	102,309

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES (Continued)

(1) Staff costs

	Six months ended 30 June	
	2016	2015
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	**33,028**	34,387
Housing funds	**4,405**	4,279
Social insurance	**2,555**	2,530
Including: Medical insurance	**2,289**	2,194
Employment injury insurance	**107**	151
Maternity insurance	**159**	185
Labor union fees and staff education expenses	**1,298**	1,521
Others	**3,324**	3,151
Subtotal	**44,610**	45,868
Defined contribution benefits	**7,763**	7,672
Early retirement benefits	**(247)**	139
Total	**52,126**	53,679

(2) Business tax for the Group's Domestic Operations was generally calculated at 5% of taxable income, which was declared and paid to the local tax department by Domestic Operations prior to the VAT Pilot Programs.

From 1 May 2016, most of the Group's operating income are subject to VAT. Please refer to Note 3.3 for details.

City construction and maintenance tax is calculated at 1% – 7% of business tax and VAT for the Group's Domestic Operations.

Education surcharge is calculated at 3% – 5% of business tax and VAT for the Group's Domestic Operations.

(Amounts in millions of Renminbi, unless otherwise stated)

12 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	**35,117**	38,874
Held-to-maturity investments	**805**	471
Debt instruments classified as receivables	**506**	78
Placements with and loans to banks and other financial institutions	**155**	(286)
Available-for-sale financial assets	**(2)**	(1)
Others	**154**	185
Total	**36,735**	39,321

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
Current income tax		
– PRC Enterprise Income Tax	**22,617**	33,830
– Hong Kong Profits Tax	**87**	142
– Other jurisdictions	**162**	118
Subtotal	**22,866**	34,090
Deferred tax (Note 29)	**3,540**	(3,975)
Total	**26,406**	30,115

PRC Enterprise Income Tax is calculated at 25% of the estimated taxable profit for the current and prior periods, and also includes supplementary PRC tax on Overseas Operations as determined in accordance with the relevant PRC income tax rules and regulations. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in the PRC.

(Amounts in millions of Renminbi, unless otherwise stated)

13 INCOME TAX EXPENSE (Continued)

The tax charges for the six months ended 30 June 2016 and 2015 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

		Six months ended 30 June	
		2016	2015
Profit before tax		**131,457**	134,679
Tax calculated at applicable PRC statutory tax rate of 25%		**32,864**	33,670
Tax effect of income not taxable for tax purpose	(1)	**(6,550)**	(3,790)
Tax effect of items such as expenses not deductible for tax purpose		**99**	241
Effect of different tax rates in other jurisdictions		**(7)**	(6)
Income tax expense		**26,406**	30,115

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

14 DIVIDENDS

		Six months ended 30 June	
		2016	2015
Dividends on ordinary shares recognized as distribution during the period			
Cash dividend related to 2015	(1)	**54,176**	–
Cash dividend related to 2014	(2)	**–**	59,113
		54,176	59,113

No dividends on ordinary shares related to the period from 1 January 2016 to 30 June 2016 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2016.

(Amounts in millions of Renminbi, unless otherwise stated)

14 DIVIDENDS (Continued)

		Six months ended 30 June	
		2016	2015
Dividends on preference shares declared and paid			
Cash dividend related to the preference shares	(3)	**2,200**	–

(1) Distribution of final dividend for 2015

A cash dividend of RMB0.1668 per ordinary share related to 2015, amounting to RMB54,176 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2015 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 27 June 2016.

The above dividend was recognized as dividends payable as at 30 June 2016 and was paid in July 2016.

(2) Distribution of final dividend for 2014

A cash dividend of RMB0.182 per ordinary share related to 2014, amounting to RMB59,113 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2014 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 29 June 2015.

The above dividend was recognized as dividends payable as at 30 June 2015 and was paid in July 2015.

(3) Distribution of dividend on preference shares

A cash dividend at the dividend rate of 5.5% per annum related to the second tranche of preference shares amounting to RMB2,200 million in total was approved at the Board of Directors' Meeting held on 21 January 2016 and distributed on 11 March 2016.

15 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
Earnings:		
Profit for the period attributable to equity holders of the Bank	**105,148**	104,315
Less: profit for the period attributable to preference shareholders of the Bank	**(2,200)**	–
Profit for the period attributable to ordinary shareholders of the Bank	**102,948**	104,315
Number of shares:		
Weighted average number of ordinary shares in issue (million)	**324,794**	324,794
Basic and diluted earnings per share (RMB yuan)	**0.32**	0.32

(Amounts in millions of Renminbi, unless otherwise stated)

15 EARNINGS PER SHARE (Continued)

For the purpose of calculating basic earnings per share, a cash dividend of RMB2,200 million on second tranche of non-cumulative preference shares declared in respect of the year of 2016 was deducted from the amounts attributable to ordinary shareholders of the Bank.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2016 and 30 June 2015, therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

16 CASH AND BALANCES WITH CENTRAL BANKS

		30 June 2016	31 December 2015
Cash		**105,340**	116,390
Mandatory reserve deposits with central banks	(1)	**2,346,878**	2,216,082
Surplus reserve deposits with central banks	(2)	**29,064**	58,656
Other deposits with central banks	(3)	**147,663**	195,929
Total		**2,628,945**	2,587,057

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

Effective 25 March 2016, for Domestic Operations of the Bank which meet the requirements of "Notice on Performance Appraisal Results Of the Sannong Banking Operations of Agricultural Bank of China Limited for 2016 issued by the People's Bank of China" (Yinbanfa [2016] No. 77), as at 30 June 2016, RMB mandatory reserve deposits with the PBOC are based on 14.5% of qualified RMB deposits (31 December 2015: 15%). For the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits are based on 16.5% of qualified RMB deposits (31 December 2015: 17%). Foreign currency mandatory reserve deposits are based on 5% (31 December 2015: 5%) of qualified foreign currency deposits from customers. Mandatory reserve deposits placed by the Bank's Overseas Operations are determined based on respective overseas regulatory requirements. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) *Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.*

(3) *Other deposits with central banks primarily represent fiscal deposits and foreign exchange reserve placed with the PBOC that are not available for use in the Group's daily operations, these fiscal deposits and foreign exchange reserve are non-interest bearing. The foreign exchange reserve is maintained with the PBOC in accordance with the related Notice issued by the PBOC on 31 August 2015. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve will be repayable in 12 months according to the Notice.*

(Amounts in millions of Renminbi, unless otherwise stated)

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016	31 December 2015
Deposits with:		
Domestic banks	**519,456**	656,601
Other domestic financial institutions	**2,557**	2,748
Overseas banks	**37,124**	38,581
Gross amount	**559,137**	697,930
Allowance for impairment losses – collectively assessed	**(13)**	(7)
Deposits with Banks and other financial institutions, net	**559,124**	697,923

As at 30 June 2016, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB3,053 million (31 December 2015: RMB3,240 million). These deposits were mainly security deposits pledged with clearing house and exchanges.

18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016	31 December 2015
Placements with and loans to:		
Domestic banks	**67,013**	129,493
Other domestic financial institutions	**282,987**	324,620
Overseas banks	**20,175**	51,743
Gross amount	**370,175**	505,856
Allowance for impairment losses – collectively assessed	**(1,764)**	(1,604)
Placements with and loans to banks and other financial institutions, net	**368,411**	504,252

(Amounts in millions of Renminbi, unless otherwise stated)

19 FINANCIAL ASSETS HELD FOR TRADING

		30 June 2016	31 December 2015
Debt securities issued by:			
Governments		**4,124**	4,464
Public sector and quasi-governments		**31,897**	23,754
Financial institutions		**36,864**	26,793
Corporates		**7,198**	10,039
Subtotal		**80,083**	65,050
Precious metal contracts		**38,364**	14,732
Total		**118,447**	79,782
Analyzed as:			
Listed outside Hong Kong	(1)	**80,083**	65,050
Unlisted		**38,364**	14,732
Total		**118,447**	79,782

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

(Amounts in millions of Renminbi, unless otherwise stated)

20 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2016	31 December 2015
Debt securities issued by:			
Governments		**7,648**	17,031
Public sector and quasi-governments		**87,460**	55,099
Financial institutions		**9,187**	22,063
Corporates		**23,664**	12,040
Subtotal		**127,959**	106,233
Interests in trust products	(1)	**147,057**	201,583
Other debt instruments	(1)	**46,702**	47,714
Equity instruments	(1)	**4,628**	3,949
Total		**326,346**	359,479
Analyzed as:			
Listed in Hong Kong		**1,991**	1,871
Listed outside Hong Kong	(2)	**120,951**	75,656
Unlisted		**203,404**	281,952
Total		**326,346**	359,479

(1) *Underlying assets of the trust products, other debt instruments and certain equity instruments held by the Group mainly include credit assets, deposits with domestic banks and other domestic financial institutions and debt securities. The trust products and other debt instruments have been disclosed in Note 49 Structured Entities.*

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

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

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

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. As at 30 June 2016 and 31 December 2015, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group. The Group did not elect to settle these financial assets and financial liabilities on a net basis. The Group does not hold any other financial instruments, other than derivatives, that are subject to master netting arrangements or similar agreements.

	30 June 2016		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,387,533	15,681	(11,256)
Currency options	20,141	66	(107)
Subtotal		15,747	(11,363)
Interest rate derivatives			
Interest rate swaps	188,977	694	(1,812)
Precious metal contracts and others	125,201	2,603	(8,962)
Total derivative financial assets and liabilities		19,044	(22,137)

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

	31 December 2015		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,307,952	13,737	(11,102)
Currency options	22,704	134	(92)
Subtotal		13,871	(11,194)
Interest rate derivatives			
Interest rate swaps	158,118	920	(961)
Precious metal contracts	32,049	1,247	(37)
Total derivatives financial assets and liabilities		16,038	(12,192)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 30 June 2016 and 31 December 2015, the credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings – Based approach as disclosed in Note 53 Capital Management.

	30 June 2016	31 December 2015
Credit risk weighted amount for counterparty	**19,691**	19,364

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2016	31 December 2015
Analyzed by collateral type:		
Debt securities	**492,716**	179,068
Bills	**42,124**	292,741
Total	**534,840**	471,809

The collateral received in connection with financial assets under resale agreement is disclosed in Note 50 Contingent Liabilities and Commitments – Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	30 June 2016	31 December 2015
Corporate loans and advances		
Loans and advances	**5,919,810**	5,818,306
Discounted bills	**423,630**	356,995
Subtotal	**6,343,440**	6,175,301
Personal loans and advances	**3,052,398**	2,734,617
Gross loans and advances	**9,395,838**	8,909,918
Allowance for impairment losses		
Individually assessed	**(138,600)**	(133,900)
Collectively assessed	**(261,954)**	(269,343)
Total allowance for impairment losses	**(400,554)**	(403,243)
Loans and advances to customers, net	**8,995,284**	8,506,675

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Loans and advances for which the allowance is collectively assessed(1)	Identified impaired loans and advances(2)				
		For which the allowance is collectively assessed	For which the allowance is individually assessed	Subtotal	Total	Identified impaired gross loans and advances as a % of total gross loans and advances
30 June 2016						
Gross loans and advances	**9,170,449**	**35,024**	**190,365**	**225,389**	**9,395,838**	**2.40**
Allowance for impairment losses	**(235,944)**	**(26,010)**	**(138,600)**	**(164,610)**	**(400,554)**	
Loans and advances to customers, net	**8,934,505**	**9,014**	**51,765**	**60,779**	**8,995,284**	
31 December 2015						
Gross loans and advances	8,697,051	31,889	180,978	212,867	8,909,918	2.39
Allowance for impairment losses	(247,294)	(22,049)	(133,900)	(155,949)	(403,243)	
Loans and advances to customers, net	8,449,757	9,840	47,078	56,918	8,506,675	

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Six months ended 30 June 2016		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
1 January 2016	**133,900**	**269,343**	**403,243**
Impairment allowance on loans charged	**46,882**	**31,251**	**78,133**
Reversal of impairment allowance	**(7,919)**	**(35,097)**	**(43,016)**
Net additions	**38,963**	**(3,846)**	**35,117**
Write-offs and transfer out	**(34,200)**	**(4,069)**	**(38,269)**
Recovery of loans and advances written off in previous years	**705**	**625**	**1,330**
Unwinding of discount on allowance	**(872)**	**(242)**	**(1,114)**
Exchange difference	**104**	**143**	**247**
30 June 2016	**138,600**	**261,954**	**400,554**

	Year ended 31 December 2015		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2015	73,094	284,977	358,071
Impairment allowance on loans charged	103,532	49,622	153,154
Reversal of impairment allowance	(8,447)	(62,810)	(71,257)
Net additions	95,085	(13,188)	81,897
Write-offs and transfer out	(33,921)	(7,408)	(41,329)
Recovery of loans and advances written off in previous years	805	425	1,230
Unwinding of discount on allowance	(1,302)	(463)	(1,765)
Transfer in	–	4,626	4,626
Exchange difference	139	374	513
31 December 2015	133,900	269,343	403,243

(Amounts in millions of Renminbi, unless otherwise stated)

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		30 June 2016	31 December 2015
Debt securities issued by:			
Governments		**408,026**	333,537
Public sector and quasi-governments		**407,678**	465,630
Financial institutions		**283,755**	176,548
Corporates		**225,456**	226,882
Subtotal		**1,324,915**	1,202,597
Fund investments	(1)	**4,754**	6,586
Equity instruments	(1)	**6,884**	5,359
Others	(1)	**9,014**	–
Total		**1,345,567**	1,214,542
Analyzed as:			
Debt securities			
Listed in Hong Kong		**56,614**	41,923
Listed outside Hong Kong	(2)	**1,209,423**	1,148,771
Unlisted		**58,878**	11,903
Equity instruments, fund investments and others			
Listed in Hong Kong		**384**	396
Listed outside Hong Kong		**7,666**	7,687
Unlisted	(3)	**12,602**	3,862
Total		**1,345,567**	1,214,542

(1) *The Group's available-for-sale fund investments, certain equity instruments and others have been disclosed in Note 49 Structured Entities.*

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

(3) *As at 30 June 2016, unlisted equity instruments of the Group amounted to RMB314 million was measured at cost because their fair value cannot be reliably measured (31 December 2015: RMB314 million).*

(Amounts in millions of Renminbi, unless otherwise stated)

25 HELD-TO-MATURITY INVESTMENTS

		30 June 2016	31 December 2015
Debt securities issued by:			
Governments		**1,118,567**	852,367
Public sector and quasi-governments		**1,133,403**	1,061,581
Financial institutions		**240,429**	202,729
Corporates		**172,732**	185,967
Gross amount		**2,665,131**	2,302,644
Allowance for impairment losses – Collectively assessed		**(2,608)**	(1,820)
Held-to-maturity investments, net		**2,662,523**	2,300,824
Analyzed as:			
Listed in Hong Kong		**3,682**	6,221
Listed outside Hong Kong	(1)	**2,648,539**	2,278,021
Unlisted		**10,302**	16,582
Total		**2,662,523**	2,300,824

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

(Amounts in millions of Renminbi, unless otherwise stated)

26 DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

		30 June 2016	31 December 2015
Receivable from the MOF	(1)	**272,023**	272,023
Special government bond	(2)	**93,300**	93,300
Government bonds		**82,325**	42,841
Financial institution bonds		**54,603**	57,339
Public sector and quasi-governments bonds		**39,791**	39,786
Corporate bonds		**27,041**	32,514
Certificate treasury bonds and savings treasury bonds		**2,739**	2,929
Others	(3)	**20,403**	18,733
Gross amount, unlisted		**592,225**	559,465
Allowance for impairment losses			
Individually assessed		**(1,905)**	(1,470)
Collectively assessed		**(647)**	(575)
Total allowance for impairment losses		**(2,552)**	(2,045)
Debt instruments classified as receivables, net		**589,673**	557,420

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

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

(3) Other debt instruments classified as receivables are primarily related to investment in unconsolidated structured entities held by the Group as disclosed in Note 49 Structured Entities.

(Amounts in millions of Renminbi, unless otherwise stated)

27 INVESTMENT IN ASSOCIATE

	30 June 2016	31 December 2015
Carrying amount	270	273

On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, herein referred to as BSCA.Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA.Bank, and has the power to participate in the financial and operating policy decisions of BSCA.Bank, but does not constitute control or joint control over those policy decisions.

28 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2016	155,284	62,547	4,586	20,833	243,250
Additions	208	1,019	2	1,506	2,735
Transfers	2,098	113	–	(2,211)	–
Disposals	(215)	(673)	(52)	–	(940)
30 June 2016	157,375	63,006	4,536	20,128	245,045
Accumulated depreciation					
1 January 2016	(46,618)	(37,278)	(2,858)	–	(86,754)
Charge for the period	(3,952)	(3,963)	(162)	–	(8,077)
Eliminated on disposals	98	616	41	–	755
30 June 2016	(50,472)	(40,625)	(2,979)	–	(94,076)
Allowance for impairment losses					
1 January 2016	(299)	(9)	(2)	(8)	(318)
Impairment loss	–	–	–	–	–
Eliminated on disposals	–	–	–	–	–
30 June 2016	(299)	(9)	(2)	(8)	(318)
Carrying value					
30 June 2016	106,604	22,372	1,555	20,120	150,651
1 January 2016	108,367	25,260	1,726	20,825	156,178

(Amounts in millions of Renminbi, unless otherwise stated)

28 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2015	142,795	56,048	4,814	23,885	227,542
Additions	2,686	7,963	8	8,008	18,665
Transfers	10,210	364	–	(10,574)	–
Disposals	(407)	(1,828)	(236)	(486)	(2,957)
31 December 2015	155,284	62,547	4,586	20,833	243,250
Accumulated depreciation					
1 January 2015	(38,733)	(30,788)	(2,753)	–	(72,274)
Charge for the year	(8,129)	(8,285)	(329)	–	(16,743)
Eliminated on disposals	244	1,795	224	–	2,263
31 December 2015	(46,618)	(37,278)	(2,858)	–	(86,754)
Allowance for impairment losses					
1 January 2015	(299)	(9)	(2)	(8)	(318)
Impairment loss	–	–	–	–	–
Eliminated on disposals	–	–	–	–	–
31 December 2015	(299)	(9)	(2)	(8)	(318)
Carrying values					
31 December 2015	108,367	25,260	1,726	20,825	156,178
1 January 2015	103,763	25,251	2,059	23,877	154,950

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2016, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

(Amounts in millions of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION

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

	30 June 2016	31 December 2015
Deferred tax assets	**78,900**	81,548
Deferred tax liabilities	**(2)**	(111)
Net	**78,898**	81,437

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

	Allowance for impairment losses	**Accrued but unpaid staff cost**	**Early retirement benefits**	**Provision**	**Fair value changes of financial instruments**	**Others**	**Total**
1 January 2016	**77,185**	**6,441**	**1,931**	**4,421**	**(8,607)**	**66**	**81,437**
Credit/(charge) to the income statement	**(2,108)**	**(487)**	**(314)**	**(569)**	**(71)**	**9**	**(3,540)**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**1,001**	**–**	**1,001**
30 June 2016	**75,077**	**5,954**	**1,617**	**3,852**	**(7,677)**	**75**	**78,898**

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2015	67,514	6,248	2,235	3,476	(900)	24	78,597
Credit/(charge) to the income statement	9,671	193	(304)	945	(1,258)	42	9,289
Charge to other comprehensive income	–	–	–	–	(6,449)	–	(6,449)
31 December 2015	77,185	6,441	1,931	4,421	(8,607)	66	81,437

(Amounts in millions of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION (Continued)

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

	30 June 2016		31 December 2015	
	Deductible/ (taxable) temporary difference	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	**300,294**	**75,077**	308,741	77,185
Fair value changes of financial instruments	**26,117**	**6,646**	15,703	3,926
Accrued but unpaid staff cost	**23,816**	**5,954**	25,765	6,441
Provision	**15,410**	**3,852**	17,682	4,421
Early retirement benefits	**6,467**	**1,617**	7,724	1,931
Others	**330**	**82**	392	97
Subtotal	**372,434**	**93,228**	376,007	94,001
Deferred tax liabilities				
Fair value changes of financial instruments	**(57,292)**	**(14,323)**	(50,130)	(12,533)
Others	**(29)**	**(7)**	(125)	(31)
Subtotal	**(57,321)**	**(14,330)**	(50,255)	(12,564)
Net	**315,113**	**78,898**	325,752	81,437

(Amounts in millions of Renminbi, unless otherwise stated)

30 OTHER ASSETS

		30 June 2016	31 December 2015
Interest receivable		**109,430**	104,775
Accounts receivable and temporary payments	(1)	**74,854**	44,576
Land use rights	(2)	**22,686**	23,036
Premiums receivable and reinsurance assets		**19,279**	27,001
Long-term deferred expenses		**3,208**	3,587
Investment property		**3,059**	2,997
Intangible assets		**2,637**	2,740
Foreclosed assets		**1,878**	1,699
Value-added tax receivable		**1,319**	–
Others		**7,887**	4,892
Total		**246,237**	215,303

(1) Accounts receivable and temporary payments primarily include items in the process of clearing and settlement.

(2) According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2016, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

31 BORROWINGS FROM CENTRAL BANKS

As at 30 June 2016, borrowings from central banks mainly include Medium-term Lending Facilities from PBOC amounting to RMB64,000 million (31 December 2015: RMB58,600 million).

(Amounts in millions of Renminbi, unless otherwise stated)

32 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016	31 December 2015
Deposits from:		
Domestic banks	**124,165**	116,519
Other domestic financial institutions	**994,269**	1,091,258
Overseas banks	**12,807**	9,514
Other overseas financial institutions	**4,674**	4,610
Total	**1,135,915**	1,221,901

33 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016	31 December 2015
Placements from:		
Domestic banks and other financial institutions	**98,163**	145,255
Overseas banks and other financial institutions	**183,212**	170,504
Total	**281,375**	315,759

34 FINANCIAL LIABILITIES HELD FOR TRADING

The financial liabilities held for trading are liabilities related to precious metal contracts.

(Amounts in millions of Renminbi, unless otherwise stated)

35 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016	31 December 2015
Principal guaranteed wealth management products	**293,749**	406,407

The Group designates wealth management products issued with principal guaranteed by the Group as financial liabilities at fair value through profit or loss. The corresponding investments are designated as financial assets at fair value through profit or loss. As at 30 June 2016 and 31 December 2015, the difference between the fair value of these products issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material.

For the six months ended 30 June 2016 and the year ended 31 December 2015, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

36 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2016	31 December 2015
Analyzed by type of collateral:		
Debt securities	**161,211**	88,333
Bills	**36**	471
Total	**161,247**	88,804

The collateral pledged under repurchase agreement is disclosed in Note 50 Contingent Liabilities and Commitments – Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

37 DUE TO CUSTOMERS

		30 June 2016	31 December 2015
Demand deposits			
Corporate customers		**3,580,895**	3,229,703
Individual customers		**4,215,922**	3,898,806
Time deposits	(1)		
Corporate customers		**1,867,330**	1,662,658
Individual customers		**4,350,844**	4,174,684
Pledged deposits	(2)	**361,565**	319,757
Others		**148,281**	252,752
Total		**14,524,837**	13,538,360

(1) As at 30 June 2016, included in the Group's time deposits were matured time deposits of RMB215,261 million (As at 31 December 2015: RMB169,329 million), which were yet to be extended/terminated by customers.

(2) Analyzed by activity to which pledged deposits are related to:

	30 June 2016	31 December 2015
Bank acceptance	**119,658**	113,421
Trade finance	**91,207**	77,903
Guarantee and letters of guarantee	**80,152**	66,093
Letters of credit	**18,586**	16,739
Others	**51,962**	45,601
Total	**361,565**	319,757

(Amounts in millions of Renminbi, unless otherwise stated)

38 DEBT SECURITIES ISSUED

		30 June 2016	31 December 2015
Bonds issued	(1)	**199,680**	198,476
Certificates of deposit issued	(2)	**122,200**	165,508
Commercial papers issued	(3)	**21,714**	11,586
Interbank certificates of deposit issued	(4)	**500**	7,172
Total		**344,094**	382,742

As at 30 June 2016 and 31 December 2015, there was no default related to any debt securities issued.

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

		30 June 2016	31 December 2015
4.15% RMB fixed rate Green Bonds maturing in October 2017	(i)	**600**	600
2.125% USD fixed rate Green Bonds maturing in October 2018	(ii)	**2,652**	2,597
4.0% subordinated fixed rate bonds maturing in May 2024	(iii)	**25,000**	25,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(iv)	**30,000**	30,000
2.75% USD fixed rate Green Bonds maturing in October 2020	(v)	**3,316**	3,247
5.3% subordinated fixed rate bonds maturing in June 2026	(vi)	**50,000**	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(vii)	**50,000**	50,000
Medium term notes issued	(viii)	**38,251**	37,164
Total nominal value		**199,819**	198,608
Less: Unamortized issuance cost and discounts		**(139)**	(132)
Carrying value		**199,680**	198,476

38 DEBT SECURITIES ISSUED (Continued)

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

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

(i) The RMB green bonds issued in London in October 2015 have a tenor of 2 years, with a fixed coupon rate 4.15%, payable semi-annually.

(ii) The USD green bonds issued in London in October 2015 have a tenor of 3 years, with a fixed coupon rate 2.125%, payable semi-annually.

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

(iv) The Tier-two capital bonds issued in August 2014 have a tenor of 10 years, with a fixed coupon rate of 5.8% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 17 August 2019 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 5.8% per annum from 18 August 2019 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable, and; they are qualified as Tier-two Capital Instruments in accordance with the CBRC requirements.

(v) The USD green bonds issued in London in October 2015 have a tenor of 5 years, with a fixed coupon rate 2.75%, payable semi-annually.

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

38 DEBT SECURITIES ISSUED (Continued)

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

(viii) The medium term notes ("MTN") were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of medium term notes issued were as follows:

	As at 30 June 2016		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate USD MTNs	**July 2016 to June 2021**	**0.8-2.875**	**23,809**
Fixed rate RMB MTNs	**August 2016 to October 2020**	**3.23-3.80**	**5,015**
Floating rate USD MTNs	**August 2016 to May 2019**	**3-month USD LIBOR plus 0.40 to 0.98**	**8,282**
Fixed rate EUR MTNs	**March 2017**	**0.48**	**369**
Zero coupon USD MTN	**August 2016 to February 2017**	**–**	**776**
Total			**38,251**

	As at 31 December 2015		
	Maturity dates ranging from	*Coupon rates (%)*	*Outstanding balance*
Fixed rate USD MTNs	*January 2016 to May 2020*	*0.5-2.875*	*27,055*
Fixed rate RMB MTNs	*May 2016 to August 2019*	*3.23-3.80*	*6,091*
Floating rate USD MTNs	*September 2016 to May 2018*	*3-month USD LIBOR plus 0.43 to 1.33*	*2,500*
Fixed rate EUR MTNs	*March 2016 to March 2017*	*0.31-0.48*	*497*
Fixed rate HKD MTNs	*March 2016 to June 2016*	*1.0-1.15*	*413*
Fixed rate JPY MTNs	*March 2016*	*0.21*	*108*
Zero coupon RMB MTN	*February 2016*	*–*	*500*
Total			*37,164*

(2) As at 30 June 2016, the certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from twenty one days to seven years, with interest rates ranging from 0% to 4.5%. As at 31 December 2015, the terms ranged from seven days to seven years with interest rates ranging from 0% to 4.5%.

(Amounts in millions of Renminbi, unless otherwise stated)

38 DEBT SECURITIES ISSUED (Continued)

(3) As at 30 June 2016, the commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the commercial papers ranged from nineteen days to one year, with interest rates ranging from 0% to 3%. As at 31 December 2015, the terms ranged from seven days to one year, with interest rates ranging from 0% to 1.05%.

(4) As at 30 June 2016, the interbank certificate of deposit were issued by the Bank's Head Office and Shanghai branch in the free trade area. The term of the interbank certificate of deposit was two years and interest rate was 3.17%. As at 31 December 2015, the terms ranged from three months to two years with interest rates ranging from 0% to 3.32%.

39 OTHER LIABILITIES

		30 June 2016	31 December 2015
Interest payable		**217,250**	225,383
Clearing and settlement		**92,142**	69,419
Insurance liabilities		**78,953**	69,589
Staff costs payable	(1)	**36,688**	39,890
Amount payable to the MOF	(2)	**17,884**	7,330
Provision		**15,410**	17,682
Income taxes payable		**12,099**	38,097
VAT and other taxes payable		**6,251**	7,117
Dormant accounts		**1,880**	1,576
Others		**40,142**	52,514
Total		**518,699**	528,597

(1) Staff costs payable

		30 June 2016	31 December 2015
Short-term employee benefits	(i)	**29,607**	31,721
Defined contribution benefits	(ii)	**614**	445
Early retirement benefits	(iii)	**6,467**	7,724
Total		**36,688**	39,890

(Amounts in millions of Renminbi, unless otherwise stated)

39 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits

	Six months ended 30 June 2016			
	1 January	**Accrued**	**Paid**	**30 June**
Salaries, bonuses, allowance and subsidies (a)	**23,773**	**33,028**	**(36,353)**	**20,448**
Housing funds (a)	**178**	**4,405**	**(4,192)**	**391**
Social insurance (a)	**124**	**2,555**	**(2,420)**	**259**
Including: Medical insurance	**107**	**2,289**	**(2,157)**	**239**
Employment injury insurance	**8**	**107**	**(107)**	**8**
Maternity insurance	**9**	**159**	**(156)**	**12**
Labor union fees and staff education expenses	**3,981**	**1,298**	**(621)**	**4,658**
Others	**3,665**	**3,324**	**(3,138)**	**3,851**
Total	**31,721**	**44,610**	**(46,724)**	**29,607**

	2015			
	1 January	Accrued	Paid	31 December
Salaries, bonuses, allowance and subsidies (a)	24,228	67,513	(67,968)	23,773
Housing funds (a)	183	8,851	(8,856)	178
Social insurance (a)	178	4,956	(5,010)	124
Including: Medical insurance	154	4,317	(4,364)	107
Employment injury insurance	12	287	(291)	8
Maternity insurance	12	352	(355)	9
Labor union fees and staff education expenses	3,183	3,026	(2,228)	3,981
Others	3,180	9,458	(8,973)	3,665
Total	30,952	93,804	(93,035)	31,721

(a) Salaries, bonuses, allowance and subsidies, housing funds and social insurance are distributed on a timely basis and paid in accordance with the relevant laws and regulations and the Group's policy.

(Amounts in millions of Renminbi, unless otherwise stated)

39 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

	Six months ended 30 June 2016			
	1 January	**Accrued**	**Paid**	**30 June**
Basic pensions	**396**	**5,775**	**(5,658)**	**513**
Unemployment insurance	**44**	**327**	**(316)**	**55**
Annuity Scheme	**5**	**1,661**	**(1,620)**	**46**
Total	**445**	**7,763**	**(7,594)**	**614**

	2015			
	1 January	Accrued	Paid	31 December
Basic pensions	541	11,150	(11,295)	396
Unemployment insurance	66	721	(743)	44
Annuity Scheme	14	3,280	(3,289)	5
Total	621	15,151	(15,327)	445

The defined contribution benefits are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy.

(iii) Early retirement benefits

	Six months ended 30 June 2016			
	1 January	**Reversed**	**Paid**	**30 June**
Early retirement benefits	**7,724**	**(247)**	**(1,010)**	**6,467**

	2015			
	1 January	Accrued	Paid	31 December
Early retirement benefits	8,938	1,394	(2,608)	7,724

(Amounts in millions of Renminbi, unless otherwise stated)

39 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(iii) Early retirement benefits (Continued)

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

	30 June 2016	31 December 2015
Discount rate	**2.62%**	2.57%
Annual average medical expense growth rate	**8.00%**	8.00%
Annual subsidies growth rate	**8.00%**	8.00%
Normal retirement age		
– Male	**60**	60
– Female	**55**	55

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

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the condensed consolidated interim income statement.

(2) Amount payable to the MOF

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

(Amounts in millions of Renminbi, unless otherwise stated)

40 ORDINARY SHARES

During the six months ended 30 June 2016 and the year ended 31 December 2015, there was no change in the Bank's ordinary share capital.

	As at 30 June 2016 and 31 December 2015	
	Number of shares (millions)	Nominal value
Registered, issued and fully paid:		
A shares of RMB1 each	294,055	294,055
H shares of RMB1 each	30,739	30,739
Total	**324,794**	**324,794**

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

As at 30 June 2016 and 31 December 2015, all of the Bank's A Shares and H Shares were not subject to lock-up restriction.

41 PREFERENCE SHARES

Financial instruments in issue	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
Preference shares – first tranche	6% per annum for the first five years after issuance, and re-priced every five years as stated below	100	400	40,000	No maturity date	No conversion during the interim period
Preference shares – second tranche	5.5% per annum for the first five years after issuance, and re-priced every five years as stated below	100	400	40,000	No maturity date	No conversion during the interim period

The Bank was authorized to issue 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary shareholders and relevant regulatory authorities.

The first tranche of 400 million preference shares were issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 30 June 2016. The first tranche preference shares bear a dividend rate of 6% per annum, dividends are non-cumulative and where payable, is paid annually, for the first five years from issuance. The dividend rate will be repriced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%.

41 PREFERENCE SHARES (Continued)

The second tranche of 400 million preference shares were issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 30 June 2016. The second tranche preference shares bear a dividend rate of 5.5% per annum, dividends are non-cumulative and where payable, is paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%.

There were no changes in the carrying amounts of the preference shares since issuance.

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained earnings except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary shareholders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No. 56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB2.43 yuan per share, partially or entirely. The conversion price of the preference shares will be adjusted upon the occurrence of certain events including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

These preference shares are classified as equity instruments, and presented as equity in the condensed consolidated interim statement of financial position, and; are qualified as Additional Tier-one Capital Instruments in accordance with the CBRC requirements.

42 CAPITAL RESERVE

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

(Amounts in millions of Renminbi, unless otherwise stated)

43 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2016		
	Gross amount	**Tax effect**	**Net effect**
1 January 2016	**29,907**	**(7,478)**	**22,429**
Fair value changes on available-for-sale financial assets:			
– Amount of losses recognized directly in other comprehensive income	**(3,410)**	**844**	**(2,566)**
– Amount removed from other comprehensive income and recognized in profit or loss	**(383)**	**96**	**(287)**
30 June 2016	**26,114**	**(6,538)**	**19,576**

	2015		
	Gross amount	Tax effect	Net effect
1 January 2015	4,176	(1,058)	3,118
Fair value changes on available-for-sale financial assets:			
– Amount of gains recognized directly in other comprehensive income	26,218	(6,542)	19,676
– Amount removed from other comprehensive income and recognized in profit or loss	(487)	122	(365)
31 December 2015	29,907	(7,478)	22,429

44 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. In addition, certain subsidiaries and overseas branches also appropriate surplus reserves in accordance with local requirements.

Subject to the approval of the equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

(Amounts in millions of Renminbi, unless otherwise stated)

45 GENERAL RESERVE

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

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

During the six months ended 30 June 2016, the Group transferred RMB22,542 million (Six months ended 30 June 2015: RMB18,823 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB22,464 million (Six months ended 30 June 2015: RMB18,721 million) related to the appropriation proposed for the year ended 31 December 2015 which was approved in the annual general meeting held on 27 June 2016.

46 CASH AND CASH EQUIVALENTS

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

	30 June 2016	30 June 2015
Cash	**105,340**	99,771
Balance with central banks	**44,010**	270,457
Deposits with banks and other financial institutions	**166,994**	80,275
Placements with and loans to banks and other financial institutions	**59,509**	141,014
Financial assets held under resale agreements	**480,940**	301,166
Total	**856,793**	892,683

47 OPERATING SEGMENTS

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

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the condensed consolidated interim financial statements and those used in preparing the operating segment information.

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

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

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

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2016										
External interest income	123,114	48,627	30,358	33,626	28,046	48,860	8,584	8,545	-	329,760
External interest expense	(9,829)	(29,002)	(15,695)	(23,504)	(19,211)	(22,042)	(6,583)	(4,937)	-	(130,803)
Inter-segment interest (expense)/income	(103,528)	22,777	14,288	23,770	19,398	17,737	5,792	(234)	-	-
Net interest income	9,757	42,402	28,951	33,892	28,233	44,555	7,793	3,374	-	198,957
Fee and commission income	8,660	10,507	8,901	7,250	6,585	10,103	2,274	166	-	54,446
Fee and commission expense	(445)	(707)	(568)	(418)	(413)	(625)	(114)	(48)	-	(3,338)
Net fee and commission income	8,215	9,800	8,333	6,832	6,172	9,478	2,160	118	-	51,108
Net trading gain/(loss)	1,854	41	40	29	26	43	3	(705)	-	1,331
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(1,215)	62	(22)	(3)	-	(2)	-	(82)	-	(1,262)
Net gain on investment securities	23	-	-	-	-	-	-	592	-	615
Other operating (expense)/income	(221)	561	309	185	158	1,874	66	8,823	-	11,755
Operating income	18,413	52,866	37,611	40,935	34,589	55,948	10,022	12,120	-	262,504
Operating expenses	(3,210)	(15,110)	(10,963)	(12,662)	(14,478)	(20,604)	(6,056)	(11,226)	-	(94,309)
Impairment losses on assets	(1,773)	(11,373)	(4,417)	(7,570)	(322)	(9,866)	(1,327)	(87)	-	(36,735)
Operating profit	13,430	26,383	22,231	20,703	19,789	25,478	2,639	807	-	131,460
Share of result of associate	-	-	-	-	-	-	-	(3)	-	(3)
Profit before tax	13,430	26,383	22,231	20,703	19,789	25,478	2,639	804	-	131,457
Income tax expense										(26,406)
Profit for the period										105,051
Depreciation and amortization included in operating expenses	813	1,521	1,073	1,474	1,643	2,156	663	103	-	9,446
Capital expenditure	464	252	621	337	379	563	88	879	-	3,583
As at 30 June 2016										
Segment assets	3,911,012	3,955,098	2,485,774	3,325,003	2,770,656	3,846,083	891,527	688,278	(3,272,110)	18,601,321
Including: Investment in associate	270	-	-	-	-	-	-	-	-	270
Unallocated assets										78,900
Total assets										18,680,221
Include: non-current assets (1)	12,262	32,314	18,072	29,564	28,285	41,430	11,853	10,112	-	183,892
Segment liabilities	(2,726,688)	(3,972,084)	(2,482,212)	(3,331,037)	(2,762,354)	(3,848,967)	(890,509)	(667,577)	3,272,110	(17,409,318)
Unallocated liabilities										(12,101)
Total liabilities										(17,421,419)
Credit commitments	35,037	477,434	181,487	300,715	184,955	218,854	62,827	88,720	-	1,550,029

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2015										
External interest income	108,667	60,755	38,189	43,448	34,738	58,801	10,596	8,636	–	363,830
External interest expense	(8,157)	(32,654)	(17,959)	(26,288)	(21,859)	(25,202)	(7,835)	(4,383)	–	(144,337)
Inter-segment interest (expense)/income	(78,684)	16,294	8,470	18,535	16,419	13,549	4,982	435	–	–
Net interest income	21,826	44,395	28,700	35,695	29,298	47,148	7,743	4,688	–	219,493
Fee and commission income	8,224	10,043	7,489	6,734	6,084	9,143	2,003	440	–	50,160
Fee and commission expense	(307)	(578)	(349)	(339)	(409)	(426)	(67)	(42)	–	(2,517)
Net fee and commission income	7,917	9,465	7,140	6,395	5,675	8,717	1,936	398	–	47,643
Net trading gain/(loss)	2,264	5	62	29	64	84	55	(1,875)	–	688
Net gain/(loss) on financial instruments designated at fair value through profit or loss	750	48	36	91	–	(2)	–	43	–	966
Net gain on investment securities	10	–	–	–	–	–	–	791	–	801
Other operating (expense)/income	(1,304)	417	315	340	204	1,864	91	4,791	–	6,718
Operating income	31,463	54,330	36,253	42,550	35,241	57,811	9,825	8,836	–	276,309
Operating expenses	(3,571)	(17,767)	(12,717)	(13,759)	(16,047)	(25,710)	(6,685)	(6,053)	–	(102,309)
Impairment losses on assets	(1,337)	(12,565)	(3,506)	(4,129)	(6,269)	(14,476)	3,004	(43)	–	(39,321)
Profit before tax	26,555	23,998	20,030	24,662	12,925	17,625	6,144	2,740	–	134,679
Income tax expense										(30,115)
Profit for the period										104,564
Depreciation and amortization included in operating expenses	929	1,578	1,075	1,441	1,665	2,172	683	84	–	9,627
Capital expenditure	475	787	393	1,029	585	1,411	265	173	–	5,118
As at 31 December 2015										
Segment assets	4,432,038	3,696,692	2,282,608	3,255,511	2,542,695	3,586,925	838,650	782,258	(3,707,532)	17,709,845
Including: Investment in associate	273	–	–	–	–	–	–	–	–	273
Unallocated assets										81,548
Total assets										17,791,393
Include: non-current assets (1)	12,860	33,596	18,713	30,663	29,523	43,005	12,423	9,409	–	190,192
Segment liabilities	(3,299,014)	(3,699,920)	(2,275,314)	(3,251,913)	(2,530,704)	(3,593,727)	(835,551)	(762,690)	3,707,532	(16,541,301)
Unallocated liabilities										(38,207)
Total liabilities										(16,579,508)
Credit commitments	29,972	440,928	199,864	306,640	155,778	226,098	65,815	58,619	–	1,483,714

(1) *Non-current assets include property and equipment, investment properties, land use rights, intangible assets and other long-term assets.*

47 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

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

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2016					
External interest income	146,582	65,265	115,872	2,041	329,760
External interest expense	(44,744)	(75,829)	(9,638)	(592)	(130,803)
Inter-segment interest income/(expense)	213	87,524	(87,737)	–	–
Net interest income	102,051	76,960	18,497	1,449	198,957
Fee and commission income	28,134	25,703	–	609	54,446
Fee and commission expense	(938)	(2,380)	(1)	(19)	(3,338)
Net fee and commission income	27,196	23,323	(1)	590	51,108
Net trading gain	–	–	1,315	16	1,331
Net (lose)/gain on financial instruments designated at fair value through profit or loss	(87)	(892)	(201)	(82)	(1,262)
Net gain on investment securities	–	–	138	477	615
Other operating income	1,134	980	734	8,907	11,755
Operating income	130,294	100,371	20,482	11,357	262,504
Operating expenses	(32,084)	(41,748)	(10,089)	(10,388)	(94,309)
Impairment losses on assets	(22,248)	(12,896)	(1,551)	(40)	(36,735)
Operating profit	75,962	45,727	8,842	929	131,460
Share of result of associate	–	–	–	(3)	(3)
Profit before tax	75,962	45,727	8,842	926	131,457
Income tax expense					(26,406)
Profit for the period					105,051
Depreciation and amortization included in operating expenses	1,693	5,480	2,202	71	9,446
Capital expenditure	507	1,639	659	778	3,583
As at 30 June 2016					
Segment assets	6,309,305	3,480,447	8,658,704	152,865	18,601,321
Including: Investment in associate	–	–	–	270	270
Unallocated assets					78,900
Total assets					18,680,221
Segment liabilities	(6,585,564)	(9,581,136)	(1,051,316)	(191,302)	(17,409,318)
Unallocated liabilities					(12,101)
Total liabilities					(17,421,419)
Credit commitments	1,202,103	347,926	–	–	1,550,029

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2015					
External interest income	179,034	71,374	111,438	1,984	363,830
External interest expense	(49,963)	(83,905)	(9,734)	(735)	(144,337)
Inter-segment interest (expense)/income	(9,368)	90,701	(81,333)	–	–
Net interest income	119,703	78,170	20,371	1,249	219,493
Fee and commission income	25,344	24,209	–	607	50,160
Fee and commission expense	(877)	(1,608)	–	(32)	(2,517)
Net fee and commission income	24,467	22,601	–	575	47,643
Net trading gain	–	–	632	56	688
Net gain on financial instruments designated at fair value through profit or loss	100	808	35	23	966
Net gain on investment securities	–	–	14	787	801
Other operating income	1,159	950	58	4,551	6,718
Operating income	145,429	102,529	21,110	7,241	276,309
Operating expenses	(42,833)	(44,144)	(9,262)	(6,070)	(102,309)
Impairment losses on assets	(40,581)	1,650	(339)	(51)	(39,321)
Profit before tax	62,015	60,035	11,509	1,120	134,679
Income tax expense					(30,115)
Profit for the period					104,564
Depreciation and amortization included in operating expenses	2,059	5,584	1,933	51	9,627
Capital expenditure	1,087	2,947	1,020	64	5,118
As at 31 December 2015					
Segment assets	6,086,284	3,181,175	8,300,506	141,880	17,709,845
Including: Investment in associate	–	–	–	273	273
Unallocated assets					81,548
Total assets					17,791,393
Segment liabilities	(6,155,984)	(9,232,539)	(1,024,999)	(127,779)	(16,541,301)
Unallocated liabilities					(38,207)
Total liabilities					(16,579,508)
Credit commitments	1,148,227	335,487	–	–	1,483,714

47 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

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

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County area banking business	Urban area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2016				
External interest income	72,363	257,397	–	329,760
External interest expense	(45,093)	(85,710)	–	(130,803)
Inter-segment interest income/(expense)	53,789	(53,789)	–	–
Net interest income	81,059	117,898	–	198,957
Fee and commission income	17,997	36,449	–	54,446
Fee and commission expense	(1,303)	(2,035)	–	(3,338)
Net fee and commission income	16,694	34,414	–	51,108
Net trading gain	84	1,247	–	1,331
Net gain/(loss) on financial instruments designated at fair value through profit or loss	26	(1,288)	–	(1,262)
Net gain on investment securities	–	615	–	615
Other operating income	2,197	9,558	–	11,755
Operating income	100,060	162,444	–	262,504
Operating expenses	(39,002)	(55,307)	–	(94,309)
Impairment losses on assets	(22,774)	(13,961)	–	(36,735)
Operating profit	38,284	93,176	–	131,460
Share of result of associate	–	(3)	–	(3)
Profit before tax	38,284	93,173	–	131,457
Income tax expense				(26,406)
Profit for the period				105,051
Depreciation and amortization included in operating expenses	4,381	5,065	–	9,446
Capital expenditure	788	2,795	–	3,583
As at 30 June 2016				
Segment assets	6,826,614	11,913,671	(138,964)	18,601,321
Including: Investment in associate	–	270	–	270
Unallocated assets				78,900
Total assets				18,680,221
Segment liabilities	(6,408,661)	(11,139,621)	138,964	(17,409,318)
Unallocated liabilities				(12,101)
Total liabilities				(17,421,419)
Credit commitments	303,468	1,246,561	–	1,550,029

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County area banking business	Urban area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2015				
External interest income	85,550	278,280	–	363,830
External interest expense	(50,774)	(93,563)	–	(144,337)
Inter-segment interest income/(expense)	50,741	(50,741)	–	–
Net interest income	85,517	133,976	–	219,493
Fee and commission income	16,412	33,748	–	50,160
Fee and commission expense	(833)	(1,684)	–	(2,517)
Net fee and commission income	15,579	32,064	–	47,643
Net trading gain	128	560	–	688
Net gain on financial instruments designated at fair value through profit or loss	28	938	–	966
Net gain on investment securities	–	801	–	801
Other operating income	1,992	4,726	–	6,718
Operating income	103,244	173,065	–	276,309
Operating expenses	(42,510)	(59,799)	–	(102,309)
Impairment losses on assets	(17,321)	(22,000)	–	(39,321)
Profit before tax	43,413	91,266	–	134,679
Income tax expense				(30,115)
Profit for the period				104,564
Depreciation and amortization included in operating expenses	4,446	5,181	–	9,627
Capital expenditure	1,570	3,548	–	5,118
As at 31 December 2015				
Segment assets	6,379,322	11,432,038	(101,515)	17,709,845
Including: Investment in associate	–	273	–	273
Unallocated assets				81,548
Total assets				17,791,393
Segment liabilities	(5,992,911)	(10,649,905)	101,515	(16,541,301)
Unallocated liabilities				(38,207)
Total liabilities				(16,579,508)
Credit commitments	301,417	1,182,297	–	1,483,714

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2016, the MOF directly owned 39.21% (31 December 2015: 39.21%) of the ordinary shares of the Bank.

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

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

	30 June 2016	31 December 2015
Assets		
Treasury bonds and special government bond	**652,572**	656,427
Receivable from the MOF (Note 26)	**272,023**	272,023
Interest receivable		
– treasury bonds and special government bond	**9,076**	7,734
– receivable from the MOF	**4,563**	25
Accounts receivable and temporary payments	**8,942**	3,665
Liabilities		
Amount payable to the MOF (Note 39)	**17,884**	7,330
Customer deposits	**19,703**	10,309
Interest payable	**34**	12
Other liability		
– redemption of treasury bonds on behalf of the MOF	**103**	103

	Six months ended 30 June	
	2016	2015
Interest income	**16,033**	18,285
Interest expense	**(69)**	(45)
Fee and commission income	**5,588**	3,692

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

	Six months ended 30 June	
	2016	2015
	%	%
Treasury bonds and receivable from the MOF	**0.38-9.00**	1.77-9.00
Customer deposits	**0.05-1.76**	0.01-3.06

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note 50 Contingent Liabilities and Commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

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

As at 30 June 2016, Huijin directly owned 40.03% (31 December 2015: 40.03%) of the ordinary shares of the Bank.

Transactions with Huijin

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

	30 June 2016	31 December 2015
Assets		
Investment in debt securities	**12,124**	12,137
Interest receivable	**378**	145
Liabilities		
Principal guaranteed wealth management products issued by the Bank	**–**	20,500
Customer deposits	**2,707**	8,001
Interest payable	**70**	537
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	**20,050**	–

	Six months ended 30 June	
	2016	2015
Interest income	**228**	213
Interest expense	**(342)**	(130)

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with Huijin *(Continued)*

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

	Six months ended 30 June	
	2016	2015
	%	%
Investment in debt securities	**3.16-4.20**	3.14-4.20
Principal guaranteed wealth management products issued by the Bank	**3.40-5.00**	5.00-5.15
Customer deposits	**0.30-2.80**	0.35-3.06

Transactions with companies under Huijin

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

	30 June 2016	31 December 2015
Assets		
Investment securities	**821,089**	817,653
Deposits with banks and other financial institutions	**96,402**	76,061
Placements with and loans to banks and other financial institutions	**44,695**	62,752
Derivative financial assets	**1,270**	1,111
Financial assets held under resale agreements	**11,562**	33,134
Precious metal leasing	**1,372**	–
Loans and advances to customers	**25,599**	20,358
Liabilities		
Deposits from banks and other financial institutions	**91,259**	63,087
Placements from banks and other financial institutions	**51,939**	73,087
Derivative financial liabilities	**4,363**	1,444
Financial assets sold under repurchase agreements	**2,108**	83,000
Equity		
Preference shares	**2,000**	2,000
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	**600**	15,700

48 RELATED PARTY TRANSACTIONS (Continued)

(3) The Group and other government related entities

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

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

(4) The Bank and its subsidiaries

The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business.

Management considers that transactions between the Bank and its subsidiaries are not significant.

(5) The Group and its associate

The Group entered into banking transactions with its associate at arm's length in the ordinary course of business.

Management considers that transactions between the Group and its associate are not significant.

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

(6) Key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six months ended 30 June 2016 and 31 December 2015, the Group had no material transactions with key management personnel.

(7) The Group and the Annuity Scheme

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

	30 June 2016	31 December 2015
Deposits from Annuity Scheme	**8,050**	8,050
Interest payable	**13**	15

	Six months ended 30 June	
	2016	2015
Interest expense	**244**	244

Interest rate range for transaction with the Annuity Scheme during the interim period is as follows:

	Six months ended 30 June	
	2016	2015
	%	%
Deposits from Annuity Scheme	**5.75-6.20**	5.75-6.20

49 STRUCTURED ENTITIES

(1) Principal guaranteed wealth management products issued and managed by the Group

Principal guaranteed wealth management products issued and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the financial assets and financial liabilities designated at fair value through profit or loss, respectively.

(2) Other consolidated structured entities issued and managed by the Group

Other structured entities consolidated by the Group are special purpose trust founded by third party trust company for issuing asset backed securities by the Group. The Group controls these entities because the Group is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect returns through its power over these entities.

During the six months ended 30 June 2016 and the year ended 31 December 2015, the Group did not provide financial support for any of the WMP Vehicles and the special purpose trust described under (1) and (2) above.

(3) Unconsolidated structured entities managed by the Group

The unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP Vehicles") formed to issue and distribute wealth management products ("WMPs"), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. The variable return that the Group has in relation to the WMPs is not significant, therefore, the WMP Vehicles are not consolidated by the Group.

As at 30 June 2016, the outstanding WMPs issued by WMP Vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB1,214,544 million (31 December 2015: RMB1,102,201 million). During the six months ended 30 June 2016, the Group's interest in the WMP Vehicles included net fee and commission income of RMB4,114 million (Six months ended 30 June 2015: RMB3,109 million) and net interest income of RMB75 million (Six months ended 30 June 2015: RMB416 million), which related to placements and repo transactions by the Group with these WMP Vehicles.

49 STRUCTURED ENTITIES (Continued)

(3) Unconsolidated structured entities managed by the Group (Continued)

The Group has entered into placements and repo transactions at market interest rates with the WMP Vehicles. The average balance during the six months ended 30 June 2016 and the outstanding balance as at 30 June 2016 of these transactions were RMB6,673 million (weighted average outstanding period of 3.13 days) and RMB245,410 million, respectively. The average balance during the year of 2015 and the outstanding balance as at 31 December 2015 of these transactions were RMB18,742 million (weighted average outstanding period of 4.40 days) and RMB78,000 million, respectively. The Group was under no obligation to enter into these transactions. As at 30 June 2016 and 31 December 2015, the outstanding balance of these transactions was presented in placements with and loans to banks and other financial institutions and financial assets held under resale agreements, which represented the Group's maximum exposure to the WMP Vehicles.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP Vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP Vehicles disclosed above during the period ended 30 June 2016 and the year ended 31 December 2015. The Group is not required to absorb any losses incurred by WMPs before other parties. During the period ended 30 June 2016 and the year ended 31 December 2015, no loss was incurred by the WMP Vehicles relating to the Group's interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

(Amounts in millions of Renminbi, unless otherwise stated)

49 STRUCTURED ENTITIES (Continued)

(4) Unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. Unconsolidated structured entities are primarily underlying investments made by WMPs managed by the Group, and for which the Group has provided investors of the WMPs with a principal guarantee. As at 30 June 2016, the Group's maximum exposure to these other unconsolidated structured entities is summarized in the table below.

	As at 30 June 2016				
	Financial assets designated at fair value through profits or losses	**Available-for-sale investments**	**Held-to-maturity investments**	**Debt instruments classified as receivables**	**Total**
Interest in trust products	**147,057**	**–**	**–**	**–**	**147,057**
Other debt instruments	**46,702**	**–**	**–**	**–**	**46,702**
Asset management products issued by other entities (i)	**1,028**	**12,925**	**–**	**18,250**	**32,203**
Asset-backed securities	**532**	**1,157**	**–**	**24**	**1,713**
Fund investments	**–**	**4,754**	**–**	**–**	**4,754**
Mortgage-backed securities	**–**	**38**	**32**	**–**	**70**
Total	**195,319**	**18,874**	**32**	**18,274**	**232,499**

	As at 31 December 2015				
	Financial assets designated at fair value through profits or losses	Available-for-sale investments	Held-to-maturity investments	Debt instrument classified as receivables	Total
Interest in trust products	201,583	–	–	–	201,583
Other debt instruments	47,714	–	–	–	47,714
Asset management products issued by other entities (i)	100	2,460	–	16,812	19,372
Asset-backed securities	675	2,253	–	24	2,952
Fund investments	–	6,586	–	–	6,586
Mortgage-backed securities	–	41	36	–	77
Total	250,072	11,340	36	16,836	278,284

(i) *The asset management products issued by other entities primarily consist of WMPs, asset management plans and debt investment plans.*

The information of total size of the unconsolidated structured entities listed above is not readily available from the public domain.

(Amounts in millions of Renminbi, unless otherwise stated)

50 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2016, provisions of RMB7,300 million were made by the Group (31 December 2015: RMB6,696 million) based on court judgments or advice of legal counsel, and included in Note 39 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	30 June 2016	31 December 2015
Contracted but not provided for	**5,041**	4,836

In addition, as at 30 June 2016 and 31 December 2015, the Group did not have outstanding equity investment commitments for its investee companies.

Credit commitments

	30 June 2016	31 December 2015
Loan commitments		
– With an original maturity of less than 1 year	**19,444**	14,351
– With an original maturity of 1 year or above	**514,051**	436,082
Subtotal	**533,495**	450,433
Bank acceptance	**376,577**	382,255
Credit card commitments	**278,338**	258,745
Guarantee and letters of guarantee	**222,119**	233,376
Letters of credit	**139,500**	158,905
Total	**1,550,029**	1,483,714

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

(Amounts in millions of Renminbi, unless otherwise stated)

50 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 30 June 2016 and 31 December 2015, credit risk weighted amount for credit commitments was measured under the Internal Ratings – Based approach.

	30 June 2016	31 December 2015
Credit risk weighted amount for credit commitments	**808,776**	774,925

Operating lease commitments

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

	30 June 2016	31 December 2015
Within 1 year	**3,916**	4,107
1 to 2 years	**3,095**	3,169
2 to 3 years	**2,358**	2,473
3 to 5 years	**2,699**	2,969
Above 5 years	**1,493**	1,627
Total	**13,561**	14,345

In the current interim period, operating lease expense recognized as operating expense by the Group was RMB2,378 million (Six months ended 30 June 2015: RMB2,353 million), and is included in Note 11 Operating Expenses.

(Amounts in millions of Renminbi, unless otherwise stated)

50 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Finance lease commitments

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

	30 June 2016	31 December 2015
Contractual amount	**671**	–

As at 30 June 2016, the gross amount of finance lease receivables included in the Group's loans and advances were RMB32,398 million (31 December 2015: RMB33,051 million), with the remaining maturity as follows:

	30 June 2016	31 December 2015
Overdue	**3,753**	3,794
Within 1 year	**7,446**	8,010
1 to 5 years	**14,577**	14,534
Above 5 years	**6,622**	6,713
Total	**32,398**	33,051

Collateral

Assets pledged

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

	30 June 2016	31 December 2015
Debt securities	**162,717**	89,651
Bills	**36**	473
Total	**162,753**	90,124

50 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral (Continued)

Assets pledged (Continued)

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2016 was RMB161,247 million (31 December 2015: RMB88,804 million) as set out in Note 36 Financial Assets Sold under Repurchase Agreements. Repurchase agreements are due within 12 months from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 51 Transferred Financial Assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions by the Group as at 30 June 2016 amounted to RMB155,215 million in total (31 December 2015: RMB114,458 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the purchase of assets under resale agreements as set out in Note 22 Financial Assets Held Under Resale Agreements. Certain of these collateral can be resold or re-pledged. The Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB1,395 million as at 30 June 2016 (31 December 2015: None). The Group has not resold or re-pledged any collateral accepted as at 30 June 2016 (31 December 2015: None).

Redemption commitment for treasury bonds

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

As at 30 June 2016, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB53,915 million (31 December 2015: RMB53,697 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

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

51 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured vehicles. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 30 June 2016, of these collateral pledged disclosed in Note 50 Contingent Liabilities and Commitments – Collateral, RMB14,702 million (31 December 2015: RMB5,986 million) represented debt securities whereby legal title has been transferred to counterparties.

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. The Group determined whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets. For the part of continuing involvement, those financial assets are recognized on the condensed consolidated interim statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 30 June 2016, the cumulative carrying amounts of loans under the Group's outstanding securitization transactions where the Group had continuing involvements totaled RMB10,125 million (31 December 2015: RMB10,125 million). As at 30 June 2016, the Group continued to recognize assets of RMB784 million (31 December 2015: RMB844 million) under loans and advances to customers with the corresponding assets and liabilities under other assets and liabilities of the same amount arising from such continuing involvements.

52 FINANCIAL RISK MANAGEMENT

Overview

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

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group and intended to address the Group's information needs in this area. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

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

Risk management framework

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

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

52.1 Credit risk

Credit risk management

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

The Group's credit risk management system is composed of the Board of Directors and its Risk Management Committee, Senior Management and its Risk Management Committee, Credit Approval Committee and Asset Disposal Committee, as well as the Risk Management Department, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under centralized management and authorization under a range of specified limits.

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Credit risk management *(Continued)*

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

During the reporting period, the Group continued to improve credit risk management mechanism, insisted on tackling the problems and their causes, controlled new risks and reduced old risks at the same time, strengthened risk management in key areas such as industries with overcapacity, resolved various types of potential risks at a timely manner, enhanced the efforts in disposal of non-performing loans, and increased efforts in credit structure optimization and control of non-performing loans.

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

Impairment assessment

Key factors related to the Group's impairment assessment

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

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Impairment assessment *(Continued)*

Key factors related to the Group's impairment assessment (Continued)

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

Normal	Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special – mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

With respect to investments in debt securities other than held for trading or designated at fair value through profit or loss, the Group assesses for indicators of impairment at the end of each reporting period based on objective evidence and performs impairment assessment individually or collectively, as appropriate. For the impaired available-for-sale investments, the amount of the impairment allowance for available-for-sale investments is equal to the existing unrealized loss, which is recorded as a charge in the condensed consolidated interim income statement.

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

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

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period primarily arises from credit and treasury operations; as well as off-balance sheet items such as loan commitments, credit card commitments, bank acceptance, guarantee and letters of guarantee and letters of credit, as credit risks arising from these items are similar to those associated with loans and receivables.

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

	30 June 2016	31 December 2015
Balances with central banks	**2,523,605**	2,470,667
Deposits with banks and other financial institutions	**559,124**	697,923
Placements with and loans to banks and other financial institutions	**368,411**	504,252
Financial assets held for trading	**116,906**	79,762
Financial assets designated at fair value through profit or loss	**321,718**	355,530
Derivative financial assets	**19,044**	16,038
Financial assets held under resale agreements	**534,840**	471,809
Loans and advances to customers	**8,995,284**	8,506,675
Available-for-sale financial assets	**1,333,929**	1,202,597
Held-to-maturity investments	**2,662,523**	2,300,824
Debt instruments classified as receivables	**589,673**	557,420
Other financial assets	**203,231**	176,352
Subtotal	**18,228,288**	17,339,849
Credit commitments	**1,550,029**	1,483,714
Total	**19,778,317**	18,823,563

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

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

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

The main types of collateral obtained are as follows:

– Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

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

– Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills.

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

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers

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

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

	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	**261,824**	**4.1**	215,317	3.5
Yangtze River Delta	**1,371,079**	**21.6**	1,355,458	22.0
Pearl River Delta	**744,769**	**11.8**	724,691	11.7
Bohai Rim	**1,040,835**	**16.4**	1,062,323	17.2
Central China	**824,864**	**13.0**	774,559	12.5
Western China	**1,413,509**	**22.3**	1,346,434	21.8
Northeastern China	**262,712**	**4.1**	256,614	4.2
Overseas and Others	**423,848**	**6.7**	439,905	7.1
Subtotal	**6,343,440**	**100.0**	6,175,301	100.0
Personal loans and advances				
Head Office	**96**	**–**	101	–
Yangtze River Delta	**778,206**	**25.5**	692,935	25.4
Pearl River Delta	**626,362**	**20.5**	538,353	19.7
Bohai Rim	**446,537**	**14.6**	401,251	14.7
Central China	**399,765**	**13.1**	357,957	13.1
Western China	**676,620**	**22.2**	629,495	23.0
Northeastern China	**119,372**	**3.9**	107,798	3.9
Overseas and Others	**5,440**	**0.2**	6,727	0.2
Subtotal	**3,052,398**	**100.0**	2,734,617	100.0
Gross loans and advances to customers	**9,395,838**		8,909,918	

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Loans and advances to customers** (Continued)*

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

	30 June 2016		31 December 2015	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Manufacturing	**1,454,142**	**22.9**	1,481,883	24.0
Transportation, logistics and postal services	**988,121**	**15.6**	924,356	15.0
Production and supply of power, heat, gas and water	**645,906**	**10.2**	604,313	9.8
Retail and wholesale	**590,443**	**9.3**	650,670	10.5
Leasing and commercial services	**558,600**	**8.8**	461,772	7.5
Real estate	**536,593**	**8.5**	548,388	8.9
Finance	**483,114**	**7.6**	457,823	7.4
Mining	**245,940**	**3.9**	260,558	4.2
Construction	**223,312**	**3.5**	216,636	3.5
Water, environment and public utilities management	**214,399**	**3.4**	205,797	3.3
Others	**402,870**	**6.3**	363,105	5.9
Subtotal	**6,343,440**	**100.0**	6,175,301	100.0
Personal loans and advances				
Residential mortgage	**2,238,084**	**73.3**	1,927,049	70.5
Personal business	**220,993**	**7.2**	230,424	8.4
Personal consumer	**167,425**	**5.5**	185,531	6.8
Credit cards	**229,297**	**7.5**	222,206	8.1
Others	**196,599**	**6.5**	169,407	6.2
Subtotal	**3,052,398**	**100.0**	2,734,617	100.0
Gross loans and advances to customers	**9,395,838**		8,909,918	

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Loans and advances to customers** (Continued)*

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

	30 June 2016			
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Unsecured loans	**1,038,258**	**343,550**	**868,669**	**2,250,477**
Guaranteed loans	**730,554**	**255,213**	**372,971**	**1,358,738**
Loans secured by collateral	**1,075,957**	**589,631**	**2,816,278**	**4,481,866**
Pledged loans	**600,743**	**75,594**	**628,420**	**1,304,757**
Total	**3,445,512**	**1,263,988**	**4,686,338**	**9,395,838**

	31 December 2015			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	916,995	340,169	839,763	2,096,927
Guaranteed loans	692,293	263,559	393,338	1,349,190
Loans secured by collateral	1,127,445	649,224	2,489,132	4,265,801
Pledged loans	623,149	71,132	503,719	1,198,000
Total	3,359,882	1,324,084	4,225,952	8,909,918

(4) *Past due loans*

	30 June 2016				
	Up to 90 days	**91 to 360 days**	**361 days to 3 years**	**Over 3 years**	**Total**
Unsecured loans	**6,209**	**8,419**	**3,470**	**489**	**18,587**
Guaranteed loans	**25,917**	**26,346**	**26,024**	**3,886**	**82,173**
Loans secured by collateral	**64,000**	**67,550**	**48,111**	**6,508**	**186,169**
Pledged loans	**2,505**	**4,281**	**7,998**	**1,571**	**16,355**
Total	**98,631**	**106,596**	**85,603**	**12,454**	**303,284**

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Loans and advances to customers** (Continued)*

(4) Past due loans (Continued)

	31 December 2015				
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	7,311	8,522	2,190	271	18,294
Guaranteed loans	21,478	26,103	18,134	4,143	69,858
Loans secured by collateral	67,076	63,271	37,878	6,716	174,941
Pledged loans	2,600	7,202	5,049	1,568	16,419
Total	98,465	105,098	63,251	12,698	279,512

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

(5) Credit quality of loans and advances to customers

		30 June 2016	31 December 2015
Neither past due nor impaired	(i)	**9,085,837**	8,623,179
Past due but not impaired	(ii)	**84,612**	73,872
Impaired	(iii)	**225,389**	212,867
Subtotal		**9,395,838**	8,909,918
Allowance for impairment losses of loans and advances to customers		**(400,554)**	(403,243)
Loans and advances to customers, net		**8,995,284**	8,506,675

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

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

(i) Loans and advances neither past due nor impaired

	30 June 2016		
	Normal	**Special-mention**	**Total**
Corporate loans and advances	**5,788,616**	**311,690**	**6,100,306**
Personal loans and advances	**2,983,008**	**2,523**	**2,985,531**
Total	**8,771,624**	**314,213**	**9,085,837**

	31 December 2015		
	Normal	Special-mention	Total
Corporate loans and advances	5,648,447	303,383	5,951,830
Personal loans and advances	2,669,491	1,858	2,671,349
Total	8,317,938	305,241	8,623,179

(ii) Loans and advances past due but not impaired

	30 June 2016				
	Up to 30 days	**31-60 days**	**61-90 days**	**Total**	**Including: exposure covered by collateral and pledge**
Corporate loans and advances	**31,744**	**11,723**	**9,289**	**52,756**	**47,109**
Personal loans and advances	**18,561**	**7,155**	**6,140**	**31,856**	**23,185**
Total	**50,305**	**18,878**	**15,429**	**84,612**	**70,294**

	31 December 2015				
	Up to 30 days	31-60 days	61-90 days	Total	Including: exposure covered by collateral and pledge
Corporate loans and advances	22,914	11,599	7,981	42,494	38,567
Personal loans and advances	18,080	7,716	5,582	31,378	20,059
Total	40,994	19,315	13,563	73,872	58,626

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Loans and advances to customers** (Continued)*

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

(iii) Impaired loans and advances

	30 June 2016 Book value	Allowance for impairment losses	Net book value
Individually assessed	**190,365**	**(138,600)**	**51,765**
Collectively assessed	**35,024**	**(26,010)**	**9,014**
Total	**225,389**	**(164,610)**	**60,779**

	31 December 2015 Book value	Allowance for impairment losses	Net book value
Individually assessed	180,978	(133,900)	47,078
Collectively assessed	31,889	(22,049)	9,840
Total	212,867	(155,949)	56,918

Including:

	30 June 2016	31 December 2015
Individually assessed and impaired	**190,365**	180,978
Individually assessed and impaired as a percentage of gross loans and advances of the Group	**2.03%**	2.03%
Including: exposure covered by collateral and pledge	**35,116**	29,319

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Loans and advances to customers** (Continued)*

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

(iii) Impaired loans and advances (Continued)

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

	30 June 2016		31 December 2015	
	Amount	**% of total**	Amount	% of total
Head Office	**7**	**–**	7	–
Yangtze River Delta	**44,616**	**19.8**	41,684	19.6
Pearl River Delta	**29,832**	**13.2**	29,600	13.9
Bohai Rim	**44,611**	**19.8**	40,005	18.8
Central China	**28,454**	**12.6**	28,084	13.2
Western China	**66,775**	**29.7**	63,921	30.0
Northeastern China	**7,089**	**3.1**	6,036	2.8
Overseas and Others	**4,005**	**1.8**	3,530	1.7
Total	**225,389**	**100.0**	212,867	100.0

(6) Rescheduled loans and advances

Rescheduled loans and advances arise from renegotiating terms of contract, and such loans and advances require continuous monitoring. Rescheduled loans and advances of the Group as at 30 June 2016 amounted to RMB32,664 million (31 December 2015: RMB27,919 million).

(7) Assets foreclosed under credit enhancement arrangement

Such assets are disclosed as foreclosed assets in Note 30 Other Assets.

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

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

		30 June 2016	31 December 2015
Neither past due nor impaired	(1)	**3,253,577**	2,858,931
Impaired	(2)	**3,779**	3,178
Subtotal		**3,257,356**	2,862,109
Individually assessed		**(1,905)**	(1,470)
Collectively assessed		**(3,255)**	(2,395)
Allowance for impairment losses		**(5,160)**	(3,865)
Total held-to-maturity investments and debt instruments classified as receivables, net		**3,252,196**	2,858,244

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Debt instruments** (Continued)*

(1) Debt instruments neither past due nor impaired

	30 June 2016				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Debt securities issued by:					
Governments	**11,772**	**408,026**	**1,118,567**	**82,325**	**1,620,690**
Public sector and quasi-governments	**119,357**	**407,678**	**1,133,403**	**39,791**	**1,700,229**
Financial institutions	**46,051**	**283,207**	**240,429**	**54,603**	**624,290**
Corporates	**30,862**	**225,427**	**172,732**	**26,496**	**455,517**
Special government bond	**–**	**–**	**–**	**93,300**	**93,300**
Receivable from the MOF	**–**	**–**	**–**	**272,023**	**272,023**
Certificate treasury bonds and savings treasury bonds	**–**	**–**	**–**	**2,739**	**2,739**
Interests in trust products	**147,057**	**–**	**–**	**–**	**147,057**
Other debt instruments	**46,702**	**9,014**	**–**	**17,169**	**72,885**
Total	**401,801**	**1,333,352**	**2,665,131**	**588,446**	**4,988,730**

	31 December 2015				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Debt securities issued by:					
Governments	21,495	333,537	852,367	42,841	1,250,240
Public sector and quasi-governments	78,853	465,589	1,061,581	39,786	1,645,809
Financial institutions	48,856	176,073	202,729	57,339	484,997
Corporates	22,079	226,882	185,967	31,971	466,899
Special government bond	–	–	–	93,300	93,300
Receivable from the MOF	–	–	–	272,023	272,023
Certificate treasury bonds and savings treasury bonds	–	–	–	2,929	2,929
Interests in trust products	201,583	–	–	–	201,583
Other debt instruments	47,714	–	–	16,098	63,812
Total	420,580	1,202,081	2,302,644	556,287	4,481,592

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Debt instruments** (Continued)*

(2) Impaired debt instruments

	30 June 2016		
	Held-to-maturity investments	**Debt instruments classified as receivables**	**Total**
Corporate bonds	**–**	**545**	**545**
Others	**–**	**3,234**	**3,234**
Subtotal	**–**	**3,779**	**3,779**
Allowance for impairment losses	**–**	**(1,905)**	**(1,905)**
Impaired held-to-maturity investments and debt instruments classified as receivables, net	**–**	**1,874**	**1,874**

	31 December 2015		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	–	543	543
Others	–	2,635	2,635
Subtotal	–	3,178	3,178
Allowance for impairment losses	–	(1,470)	(1,470)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	–	1,708	1,708

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

***Debt instruments** (Continued)*

*(2) **Impaired debt instruments** (Continued)*

The Group's available-for-sale debt instruments were individually assessed for impairment. As at 30 June 2016, the carrying amount of the impaired available-for-sale debt instruments of the Group was RMB577 million (31 December 2015: RMB516 million), among which the total impairment losses recognized for these impaired available-for-sale debt instruments by the Group as at 30 June 2016 was RMB316 million (31 December 2015: RMB312 million).

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

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

		30 June 2016					
		Unrated(i)	AAA	AA	A	Below A	Total
Debt securities issued by:							
Governments		1,154,166	456,499	6,005	1,436	1,609	1,619,715
Public sector and quasi-governments		1,547,547	145,203	6,965	–	–	1,699,715
Financial institutions		398,534	117,293	34,202	47,180	26,374	623,583
Corporates	(ii)	55,761	345,025	6,645	29,683	18,405	455,519
Special government bond		93,300	–	–	–	–	93,300
Receivable from the MOF		272,023	–	–	–	–	272,023
Certificate treasury bonds and savings treasury bonds		2,739	–	–	–	–	2,739
Interests in trust products	(iii)	147,057	–	–	–	–	147,057
Other debt instruments	(iii)	74,275	–	–	–	–	74,275
Total		3,745,402	1,064,020	53,817	78,299	46,388	4,987,926

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Debt instruments *(Continued)*

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

		31 December 2015					
		Unrated(i)	AAA	AA	A	Below A	Total
Debt securities issued by:							
Governments		940,929	300,747	7,607	119	362	1,249,764
Public sector and quasi-governments		1,495,085	143,007	4,227	3,121	–	1,645,440
Financial institutions		314,173	100,889	24,517	30,081	14,803	484,463
Corporates	(ii)	53,854	353,589	11,833	35,404	12,203	466,883
Special government bond		93,300	–	–	–	–	93,300
Receivable from the MOF		272,023	–	–	–	–	272,023
Certificate treasury bonds and savings treasury bonds		2,929	–	–	–	–	2,929
Interests in trust products	(iii)	201,583	–	–	–	–	201,583
Other debt instruments	(iii)	65,036	–	–	–	–	65,036
Total		3,438,912	898,232	48,184	68,725	27,368	4,481,421

(i) Unrated debt investments held by the Group are bonds issued primarily by policy banks, the Chinese government, municipal government bonds and receivable from the MOF.

(ii) The ratings of super short-term commercial papers of the Group amounted to RMB37,367 million (31 December 2015: RMB51,553 million), as included in corporate bonds above are based on issuer rating for this credit risk analysis.

(iii) The trust products and other debt instruments are classified within Level 3 of the fair value measurement hierarchy and the related credit risk is described in Note 54 Fair Value of Financial Instruments.

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk

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

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

– Optimizing asset and liability structure;

– Maintaining stability of deposit base;

– Making projections of future cash flows, and evaluating the appropriate liquid asset position;

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

– Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

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

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

	30 June 2016								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	134,405	14,945	–	12,980	–	–	2,466,615	2,628,945
Deposits with banks and other financial institutions	–	53,563	96,255	146,598	261,707	1,001	–	–	559,124
Placements with and loans to banks and other financial institutions	–	–	74,523	131,390	135,503	26,995	–	–	368,411
Financial assets held for trading	–	1,541	12,284	17,437	61,582	22,639	2,964	–	118,447
Financial assets designated at fair value through profit or loss	–	–	32,513	43,507	98,646	96,610	50,442	4,628	326,346
Derivative financial assets	–	–	4,269	4,140	9,448	1,114	73	–	19,044
Financial assets held under resale agreements	3,872	–	454,653	33,973	42,342	–	–	–	534,840
Loans and advances to customers	49,076	–	490,892	729,893	2,509,268	1,838,767	3,377,388	–	8,995,284
Available-for-sale financial assets	–	–	60,674	55,524	230,070	661,088	326,573	11,638	1,345,567
Held-to-maturity investments	–	–	43,079	41,121	364,046	1,248,639	965,638	–	2,662,523
Debt instruments classified as receivables	1	60	2,889	12,983	14,971	118,100	440,669	–	589,673
Other financial assets	2,362	70,200	28,897	40,339	61,004	350	79	–	203,231
Total financial assets	55,311	259,769	1,315,873	1,256,905	3,801,567	4,015,303	5,163,826	2,482,881	18,351,435
Borrowings from central banks	–	(30)	(31,281)	(15,000)	(19,100)	(627)	–	–	(66,038)
Deposits from banks and other financial institutions	–	(660,247)	(143,969)	(34,140)	(194,189)	(103,370)	–	–	(1,135,915)
Placements from banks and other financial institutions	–	–	(95,191)	(115,440)	(67,028)	(2,055)	(1,661)	–	(281,375)
Financial liabilities held for trading	–	(13,069)	(1,273)	(3,394)	(1,414)	–	–	–	(19,150)
Financial liabilities designated at fair value through profit or loss	–	–	(59,864)	(83,086)	(137,636)	(13,124)	(39)	–	(293,749)
Derivative financial liabilities	–	–	(5,097)	(6,200)	(8,439)	(1,620)	(781)	–	(22,137)
Financial assets sold under repurchase agreements	–	–	(150,783)	(4,570)	(5,894)	–	–	–	(161,247)
Due to customers	–	(8,278,666)	(525,559)	(916,428)	(3,073,191)	(1,730,992)	(1)	–	(14,524,837)
Debt securities issued	–	–	(23,668)	(47,021)	(72,385)	(46,086)	(154,934)	–	(344,094)
Other financial liabilities	–	(143,556)	(18,486)	(24,953)	(165,040)	(90,183)	(25)	–	(442,243)
Total financial liabilities	–	(9,095,568)	(1,055,171)	(1,250,232)	(3,744,316)	(1,988,057)	(157,441)	–	(17,290,785)
Net position	55,311	(8,835,799)	260,702	6,673	57,251	2,027,246	5,006,385	2,482,881	1,060,650

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

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

	31 December 2015								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	175,046	31,379	–	3,147	–	–	2,377,485	2,587,057
Deposits with banks and other financial institutions	–	62,223	67,391	106,999	460,050	1,260	–	–	697,923
Placements with and loans to banks and other financial institutions	–	–	228,400	60,359	206,024	9,469	–	–	504,252
Financial assets held for trading	–	20	9,188	16,872	33,146	16,580	3,976	–	79,782
Financial assets designated at fair value through profit or loss	–	–	28,991	49,415	181,918	62,543	32,663	3,949	359,479
Derivative financial assets	–	–	1,512	2,047	11,164	1,224	91	–	16,038
Financial assets held under resale agreements	–	–	275,867	127,105	68,837	–	–	–	471,809
Loans and advances to customers	46,176	–	436,319	758,211	2,520,971	1,764,276	2,980,722	–	8,506,675
Available-for-sale financial assets	–	–	30,086	40,705	214,175	608,815	308,816	11,945	1,214,542
Held-to-maturity investments	–	–	28,330	37,773	297,731	1,109,860	827,130	–	2,300,824
Debt instruments classified as receivables	1	72	1,537	4,568	28,219	100,398	422,625	–	557,420
Other financial assets	1,930	41,439	26,254	53,739	52,574	367	49	–	176,352
Total financial assets	48,107	278,800	1,165,254	1,257,793	4,077,956	3,674,792	4,576,072	2,393,379	17,472,153
Borrowings from central banks	–	(30)	(1,257)	(14,510)	(44,199)	(603)	–	–	(60,599)
Deposits from banks and other financial institutions	–	(654,627)	(97,631)	(71,036)	(196,999)	(201,608)	–	–	(1,221,901)
Placements from banks and other financial institutions	–	–	(148,032)	(81,136)	(82,884)	(1,981)	(1,726)	–	(315,759)
Financial liabilities held for trading	–	(11,541)	(4,165)	(5,628)	(2,702)	–	–	–	(24,036)
Financial liabilities designated at fair value through profit or loss	–	–	(99,066)	(94,230)	(186,697)	(26,378)	(36)	–	(406,407)
Derivative financial liabilities	–	–	(1,055)	(1,869)	(7,915)	(1,169)	(184)	–	(12,192)
Financial assets sold under repurchase agreements	–	–	(83,138)	(255)	(5,411)	–	–	–	(88,804)
Due to customers	–	(7,673,376)	(549,963)	(1,131,857)	(2,553,458)	(1,629,705)	(1)	–	(13,538,360)
Debt securities issued	–	–	(38,732)	(53,909)	(98,423)	(36,746)	(154,932)	–	(382,742)
Other financial liabilities	–	(133,606)	(15,678)	(66,889)	(74,176)	(95,149)	(34,182)	–	(419,680)
Total financial liabilities	–	(8,473,180)	(1,038,717)	(1,521,319)	(3,252,864)	(1,993,339)	(191,061)	–	(16,470,480)
Net position	48,107	(8,194,380)	126,537	(263,526)	825,092	1,681,453	4,385,011	2,393,379	1,001,673

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

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

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

	30 June 2016								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	134,405	14,945	1,062	12,980	–	–	2,466,615	2,630,007
Deposits with banks and other financial institutions	–	53,563	97,347	149,842	268,755	1,001	–	–	570,508
Placements with and loans to banks and other financial institutions	–	–	74,945	135,648	137,094	27,887	–	–	375,574
Financial assets held for trading	–	1,541	12,531	17,865	63,885	24,416	3,205	–	123,443
Financial assets designated at fair value through profit or loss	–	–	33,586	45,846	105,470	113,432	56,352	4,628	359,314
Financial assets held under resale agreements	3,872	–	455,003	34,187	43,592	–	–	–	536,654
Loans and advances to customers	175,080	–	545,778	819,019	2,844,060	2,791,227	4,930,703	–	12,105,867
Available-for-sale financial assets	–	–	64,644	63,757	262,891	753,443	372,255	11,638	1,528,628
Held-to-maturity investments	–	–	52,329	58,080	442,291	1,523,080	1,176,783	–	3,252,563
Debt instruments classified as receivables	45	60	3,599	16,901	30,992	184,618	486,971	–	723,186
Other financial assets	–	70,063	2,213	267	21,142	103	13	–	93,801
Total non-derivative financial assets	178,997	259,632	1,356,920	1,342,474	4,233,152	5,419,207	7,026,282	2,482,881	22,299,545
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(31,635)	(15,144)	(19,722)	(628)	–	–	(67,159)
Deposits from banks and other financial institutions	–	(660,264)	(144,716)	(37,326)	(206,917)	(121,884)	–	–	(1,171,107)
Placements from banks and other financial institutions	–	–	(95,381)	(116,075)	(67,208)	(2,321)	(1,801)	–	(282,786)
Financial liabilities held for trading	–	(13,069)	(1,276)	(3,409)	(1,422)	–	–	–	(19,176)
Financial liabilities designated at fair value through profit or loss	–	–	(60,137)	(83,946)	(141,313)	(14,313)	(44)	–	(299,753)
Financial assets sold under repurchase agreements	–	–	(150,851)	(4,585)	(5,939)	–	–	–	(161,375)
Due to customers	–	(8,284,131)	(539,189)	(938,652)	(3,192,871)	(1,961,050)	(4)	–	(14,915,897)
Debt securities issued	–	–	(23,771)	(49,060)	(80,677)	(79,577)	(199,328)	–	(432,413)
Other financial liabilities	–	(137,999)	(3,627)	(2,598)	(80,007)	(738)	(24)	–	(224,993)
Total non-derivative financial liabilities	–	(9,095,493)	(1,050,583)	(1,250,795)	(3,796,076)	(2,180,511)	(201,201)	–	(17,574,659)
Net position	178,997	(8,835,861)	306,337	91,679	437,076	3,238,696	6,825,081	2,482,881	4,724,886

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	31 December 2015								
	Past due	On demand	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	175,046	31,379	1,119	3,147	–	–	2,377,485	2,588,176
Deposits with banks and other financial institutions	–	62,223	68,581	109,926	475,100	1,260	–	–	717,090
Placements with and loans to banks and other financial institutions	–	–	228,910	61,759	211,832	9,784	–	–	512,285
Financial assets held for trading	–	20	9,551	17,411	34,679	18,282	4,259	–	84,202
Financial assets designated at fair value through profit or loss	–	–	29,554	50,581	191,501	74,777	37,021	3,949	387,383
Financial assets held under resale agreements	–	–	277,186	128,996	69,936	–	–	–	476,118
Loans and advances to customers	166,750	–	502,630	862,665	2,884,375	2,670,681	4,395,705	–	11,482,806
Available-for-sale financial assets	–	–	33,422	46,435	249,273	698,678	351,672	11,945	1,391,425
Held-to-maturity investments	–	–	35,186	53,011	369,374	1,359,459	1,020,861	–	2,837,891
Debt instruments classified as receivables	44	72	10,760	6,084	37,651	166,206	475,672	–	696,489
Other financial assets	–	41,390	1,749	26,911	1,479	41	7	–	71,577
Total non-derivative financial assets	166,794	278,751	1,228,908	1,364,898	4,528,347	4,999,168	6,285,197	2,393,379	21,245,442
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(1,257)	(14,760)	(44,945)	(604)	–	–	(61,596)
Deposits from banks and other financial institutions	–	(654,628)	(98,736)	(78,983)	(205,693)	(226,850)	–	–	(1,264,890)
Placements from banks and other financial institutions	–	–	(148,500)	(81,584)	(83,887)	(2,261)	(1,898)	–	(318,130)
Financial liabilities held for trading	–	(11,541)	(4,183)	(5,654)	(2,722)	–	–	–	(24,100)
Financial liabilities designated at fair value through profit or loss	–	–	(99,503)	(95,377)	(193,554)	(27,487)	(41)	–	(415,962)
Financial assets sold under repurchase agreements	–	–	(83,173)	(256)	(5,436)	–	–	–	(88,865)
Due to customers	–	(7,677,719)	(563,857)	(1,167,656)	(2,655,301)	(1,875,275)	(1)	–	(13,939,809)
Debt securities issued	–	–	(38,829)	(54,443)	(108,277)	(70,347)	(201,846)	–	(473,742)
Other financial liabilities	–	(129,421)	(812)	(28,189)	(1,313)	(388)	(34,174)	–	(194,297)
Total non-derivative financial liabilities	–	(8,473,339)	(1,038,850)	(1,526,902)	(3,301,128)	(2,203,212)	(237,960)	–	(16,781,391)
Net position	166,794	(8,194,588)	190,058	(162,004)	1,227,219	2,795,956	6,047,237	2,393,379	4,464,051

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

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

	30 June 2016					
	Less than 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Interest rate derivatives	**(16)**	**(51)**	**(152)**	**(1,084)**	**(436)**	**(1,739)**

	31 December 2015					
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Interest rate derivatives	(18)	5	49	(28)	(227)	(219)

Derivatives settled on a gross basis

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

	30 June 2016					
	Less than 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
– Cash inflow	**346,781**	**440,761**	**697,899**	**54,623**	**753**	**1,540,817**
– Cash outflow	**(347,639)**	**(442,857)**	**(696,976)**	**(54,614)**	**(764)**	**(1,542,850)**
Total	**(858)**	**(2,096)**	**923**	**9**	**(11)**	**(2,033)**

	31 December 2015					
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Derivatives settled on a gross basis						
– Cash inflow	229,711	213,739	867,746	50,092	815	1,362,103
– Cash outflow	(229,673)	(213,507)	(863,714)	(49,965)	(815)	(1,357,674)
Total	38	232	4,032	127	–	4,429

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Credit commitments

The tables below summarize the amounts of credit commitments by remaining maturity.

	30 June 2016			
	Less than 1 year	**1 – 5 years**	**Over 5 years**	**Total**
Loan commitments	**67,240**	**137,299**	**328,956**	**533,495**
Bank acceptance	**376,577**	**–**	**–**	**376,577**
Credit card commitments	**278,338**	**–**	**–**	**278,338**
Guarantee and letters of guarantee	**111,789**	**83,296**	**27,034**	**222,119**
Letters of credit	**124,511**	**14,989**	**–**	**139,500**
Total	**958,455**	**235,584**	**355,990**	**1,550,029**

	31 December 2015			
	Less than 1 year	1 – 5 years	Over 5 years	Total
Loan commitments	56,515	134,021	259,897	450,433
Bank acceptance	382,255	–	–	382,255
Credit card commitments	258,745	–	–	258,745
Guarantee and letters of guarantee	102,829	97,027	33,520	233,376
Letters of credit	151,193	7,712	–	158,905
Total	951,537	238,760	293,417	1,483,714

52.3 Market risk

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

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

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

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

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

Segregation of Trading Book and Banking Book

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

Market Risk Management for Trading Book

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Market Risk Management for Trading Book *(Continued)*

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

VaR Analysis for the Trading Book

Bank

		Six months ended 30 June 2016			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		**65**	**63**	**71**	**50**
Exchange rate risk	(1)	**57**	**66**	**106**	**36**
Commodity risk		**20**	**12**	**20**	**3**
Overall VaR		**77**	**83**	**103**	**73**

		Six months ended 30 June 2015			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		82	76	90	64
Exchange rate risk	(1)	49	50	72	32
Commodity risk		44	28	46	9
Overall VaR		101	94	116	68

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and gold. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Market Risk Management for Banking Book

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

Interest Rate Risk Management

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

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

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

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

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

Market Risk Exposure Limit Management

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

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

	30 June 2016				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,577,270	45,824	992	4,859	2,628,945
Deposits with banks and other financial institutions	513,120	34,352	1,909	9,743	559,124
Placements with and loans to banks and other financial institutions	321,846	38,584	5,404	2,577	368,411
Financial assets held for trading	118,447	–	–	–	118,447
Financial assets designated at fair value through profit or loss	310,716	5,478	7,965	2,187	326,346
Derivative financial assets	724	13,316	56	4,948	19,044
Financial assets held under resale agreements	534,840	–	–	–	534,840
Loans and advances to customers	8,558,161	340,333	55,838	40,952	8,995,284
Available-for-sale financial assets	1,162,622	148,620	7,768	26,557	1,345,567
Held-to-maturity investments	2,641,239	19,679	–	1,605	2,662,523
Debt instruments classified as receivables	589,201	–	471	1	589,673
Other financial assets	185,139	14,820	1,141	2,131	203,231
Total financial assets	17,513,325	661,006	81,544	95,560	18,351,435
Borrowings from central banks	(64,129)	–	(1,282)	(627)	(66,038)
Deposits from banks and other financial institutions	(1,111,243)	(20,802)	(2,528)	(1,342)	(1,135,915)
Placements from banks and other financial institutions	(39,999)	(99,139)	(135,553)	(6,684)	(281,375)
Financial liabilities held for trading	(19,150)	–	–	–	(19,150)
Financial liabilities designated at fair value through profit or loss	(290,270)	(3,443)	–	(36)	(293,749)
Derivative financial liabilities	(16,909)	(4,058)	(377)	(793)	(22,137)
Financial assets sold under repurchase agreements	(147,983)	(13,264)	–	–	(161,247)
Due to customers	(14,143,486)	(330,891)	(24,022)	(26,438)	(14,524,837)
Debt securities issued	(202,105)	(121,239)	(11,006)	(9,744)	(344,094)
Other financial liabilities	(401,481)	(30,491)	(3,198)	(7,073)	(442,243)
Total financial liabilities	(16,436,755)	(623,327)	(177,966)	(52,737)	(17,290,785)
Net on-balance sheet position	1,076,570	37,679	(96,422)	42,823	1,060,650
Net notional amount of derivatives	18,344	49,786	6,485	(77,739)	(3,124)
Credit commitments	1,358,995	148,812	14,781	27,441	1,550,029

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

	31 December 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,533,407	47,748	1,500	4,402	2,587,057
Deposits with banks and other financial institutions	642,108	36,844	8,803	10,168	697,923
Placements with and loans to banks and other financial institutions	412,437	87,171	838	3,806	504,252
Financial assets held for trading	79,782	–	–	–	79,782
Financial assets designated at fair value through profit or loss	331,966	10,216	14,134	3,163	359,479
Derivative financial assets	2,952	12,399	79	608	16,038
Financial assets held under resale agreements	471,809	–	–	–	471,809
Loans and advances to customers	8,098,472	336,998	47,918	23,287	8,506,675
Available-for-sale financial assets	1,124,517	69,605	1,667	18,753	1,214,542
Held-to-maturity investments	2,274,171	24,410	–	2,243	2,300,824
Debt instruments classified as receivables	557,418	–	1	1	557,420
Other financial assets	146,462	27,797	1,250	843	176,352
Total financial assets	16,675,501	653,188	76,190	67,274	17,472,153
Borrowings from central banks	(58,739)	–	(1,257)	(603)	(60,599)
Deposits from banks and other financial institutions	(1,145,912)	(69,892)	(5,667)	(430)	(1,221,901)
Placements from banks and other financial institutions	(66,808)	(188,588)	(45,674)	(14,689)	(315,759)
Financial liabilities held for trading	(24,036)	–	–	–	(24,036)
Financial liabilities designated at fair value through profit or loss	(403,328)	(3,044)	–	(35)	(406,407)
Derivative financial liabilities	(10,074)	(897)	(13)	(1,208)	(12,192)
Financial assets sold under repurchase agreements	(83,471)	(5,333)	–	–	(88,804)
Due to customers	(13,253,507)	(220,929)	(31,161)	(32,763)	(13,538,360)
Debt securities issued	(230,650)	(127,703)	(18,287)	(6,102)	(382,742)
Other financial liabilities	(384,409)	(32,190)	(1,680)	(1,401)	(419,680)
Total financial liabilities	(15,660,934)	(648,576)	(103,739)	(57,231)	(16,470,480)
Net on-balance sheet position	1,014,567	4,612	(27,549)	10,043	1,001,673
Net notional amount of derivatives	22,179	(5,342)	31,748	(37,060)	11,525
Credit commitments	1,307,939	158,487	4,312	12,976	1,483,714

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Foreign exchange rate risk *(Continued)*

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the condensed consolidated interim statement of financial position.

Group

	30 June 2016		31 December 2015	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**2,617**	**(89)**	1,753	(22)
5% depreciation	**(2,617)**	**89**	(1,753)	22

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

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC established RMB benchmark interest rates for loans whereby financial institutions are in a position to price their loans based on credit risk; commercial and market factors. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 October 2015 for commercial banks.

The Group manages its interest rate risk by:

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

– Optimizing the management over the differences in timing between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities; and

– Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities, with reference to the prevailing PBOC benchmark interest rates where appropriate.

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Interest rate risk *(Continued)*

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

	30 June 2016						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,375,211	–	12,980	–	–	240,754	2,628,945
Deposits with banks and other financial institutions	148,674	146,598	261,707	1,001	–	1,144	559,124
Placements with and loans to banks and other financial institutions	76,667	135,424	133,864	22,456	–	–	368,411
Financial assets held for trading	12,393	17,576	61,583	22,390	2,964	1,541	118,447
Financial assets designated at fair value through profit or loss	32,656	46,565	97,010	95,045	50,442	4,628	326,346
Derivative financial assets	–	–	–	–	–	19,044	19,044
Financial assets held under resale agreements	454,653	33,973	42,342	–	–	3,872	534,840
Loans and advances to customers	1,313,540	1,532,436	5,798,275	153,295	197,738	–	8,995,284
Available-for-sale financial assets	87,914	91,449	240,713	592,649	321,204	11,638	1,345,567
Held-to-maturity investments	50,836	54,177	375,565	1,222,453	959,492	–	2,662,523
Debt instruments classified as receivables	5,391	17,166	25,600	103,650	437,866	–	589,673
Other financial assets	–	–	–	–	–	203,231	203,231
Total financial assets	4,557,935	2,075,364	7,049,639	2,212,939	1,969,706	485,852	18,351,435
Borrowings from central banks	(31,281)	(15,000)	(19,100)	(627)	–	(30)	(66,038)
Deposits from banks and other financial institutions	(804,135)	(34,160)	(194,159)	(103,350)	–	(111)	(1,135,915)
Placements from banks and other financial institutions	(96,541)	(116,114)	(67,328)	(1,392)	–	–	(281,375)
Financial liabilities held for trading	(1,273)	(3,394)	(1,414)	–	–	(13,069)	(19,150)
Financial liabilities designated at fair value through profit or loss	(60,527)	(83,748)	(136,821)	(12,615)	(38)	–	(293,749)
Derivative financial liabilities	–	–	–	–	–	(22,137)	(22,137)
Financial assets sold under repurchase agreements	(150,783)	(4,570)	(5,894)	–	–	–	(161,247)
Due to customers	(8,697,272)	(916,108)	(3,070,997)	(1,731,515)	(1)	(108,944)	(14,524,837)
Debt securities issued	(28,373)	(58,984)	(66,819)	(34,984)	(154,934)	–	(344,094)
Other financial liabilities	–	–	–	–	–	(442,243)	(442,243)
Total financial liabilities	(9,870,185)	(1,232,078)	(3,562,532)	(1,884,483)	(154,973)	(586,534)	(17,290,785)
Interest rate gap	(5,312,250)	843,286	3,487,107	328,456	1,814,733	(100,682)	1,060,650

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

***Interest rate risk** (Continued)*

	31 December 2015						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,294,237	–	3,147	–	–	289,673	2,587,057
Deposits with banks and other financial institutions	128,136	107,123	460,250	1,260	–	1,154	697,923
Placements with and loans to banks and other financial institutions	229,809	61,016	205,958	7,469	–	–	504,252
Financial assets held for trading	9,797	17,012	32,645	16,332	3,976	20	79,782
Financial assets designated at fair value through profit or loss	33,264	57,213	174,531	57,860	32,662	3,949	359,479
Derivative financial assets	–	–	–	–	–	16,038	16,038
Financial assets held under resale agreements	275,867	127,105	68,837	–	–	–	471,809
Loans and advances to customers	3,130,605	1,497,927	3,530,381	145,347	202,415	–	8,506,675
Available-for-sale financial assets	57,958	77,438	220,340	544,478	302,383	11,945	1,214,542
Held-to-maturity investments	31,061	60,847	312,703	1,075,252	820,961	–	2,300,824
Debt instruments classified as receivables	3,154	8,264	37,690	87,908	420,404	–	557,420
Other financial assets	–	–	–	–	–	176,352	176,352
Total financial assets	6,193,888	2,013,945	5,046,482	1,935,906	1,782,801	499,131	17,472,153
Borrowings from central banks	(1,257)	(14,510)	(44,199)	(603)	–	(30)	(60,599)
Deposits from banks and other financial institutions	(752,048)	(71,036)	(196,999)	(201,598)	–	(220)	(1,221,901)
Placements from banks and other financial institutions	(149,848)	(83,250)	(82,130)	(531)	–	–	(315,759)
Financial liabilities held for trading	(4,165)	(5,628)	(2,702)	–	–	(11,541)	(24,036)
Financial liabilities designated at fair value through profit or loss	(99,066)	(94,230)	(186,697)	(26,378)	(36)	–	(406,407)
Derivative financial liabilities	–	–	–	–	–	(12,192)	(12,192)
Financial assets sold under repurchase agreements	(83,138)	(255)	(5,411)	–	–	–	(88,804)
Due to customers	(8,031,571)	(1,132,862)	(2,553,742)	(1,630,591)	(1)	(189,593)	(13,538,360)
Debt securities issued	(40,930)	(57,921)	(95,626)	(33,331)	(154,934)	–	(382,742)
Other financial liabilities	–	–	–	–	–	(419,680)	(419,680)
Total financial liabilities	(9,162,023)	(1,459,692)	(3,167,506)	(1,893,032)	(154,971)	(633,256)	(16,470,480)
Interest rate gap	(2,968,135)	554,253	1,878,976	42,874	1,627,830	(134,125)	1,001,673

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Interest rate risk *(Continued)*

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

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

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

	30 June 2016		31 December 2015	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(30,805)**	**(41,057)**	(16,780)	(38,949)
-100 basis points	**30,805**	**41,057**	16,780	38,949

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

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

52 FINANCIAL RISK MANAGEMENT (Continued)

52.4 Insurance risk

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

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

53 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

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

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

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

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

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

53 CAPITAL MANAGEMENT (Continued)

The "Capital Rules for Commercial Banks (Provisional)" includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

– minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;

– capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

– additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;

– should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

In April 2014, the CBRC has officially approved the Group to adopt the Internal Ratings – Based approach to measure its Credit Risk-weighted Assets for both retail and non-retail risk exposures and the Standardized approach to measure its Operational Risk-weighted Assets, respectively. Before that, the Group has been using the Weighted approach and the Basic Indicator approach to measure its Credit Risk-weighted Assets and Operational Risk-weighted Assets, respectively, for the purpose of calculating its Capital Adequacy Ratios. The CBRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the above two approaches, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

As at 30 June 2016 and 31 December 2015, the Group adopted the Standardized approach for Market Risk-weighted Assets measurement.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBRC. Required information related to capital levels and utilization is filed quarterly with the CBRC.

(Amounts in millions of Renminbi, unless otherwise stated)

53 CAPITAL MANAGEMENT (Continued)

The table below summarizes the Capital Adequacy Ratios and capital composition as at 30 June 2016 calculated pursuant to the "Capital Rules for Commercial Banks (Provisional)" and under the Internal Ratings – Based approach for Credit Risk-weighted Assets and the Standardized approach for Market Risk-weighted Assets and Operational Risk-weighted Assets, respectively, as approved by the CBRC in April 2014.

		30 June 2016	31 December 2015
Common Equity Tier-one Capital Adequacy Ratio	(1)	**10.06%**	10.24%
Tier-one Capital Adequacy Ratio	(1)	**10.75%**	10.96%
Capital Adequacy Ratio	(1)	**12.81%**	13.40%
Common Equity Tier-one Capital	(2)	**1,176,847**	1,130,285
Deductible Items from Common Equity Tier-one Capital	(3)	**(6,512)**	(5,595)
Net Common Equity Tier-one Capital		**1,170,335**	1,124,690
Additional Tier-one Capital	(4)	**79,904**	79,902
Net Tier-one Capital		**1,250,239**	1,204,592
Tier-two Capital	(5)	**239,816**	267,028
Net Capital		**1,490,055**	1,471,620
Risk-weighted Assets	(6)	**11,629,603**	10,986,302

Pursuant to the "Capital Rules for Commercial Banks (Provisional)":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

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

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

53 CAPITAL MANAGEMENT (Continued)

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

(4) The Group's Additional Tier-one Capital includes: preference shares issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

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

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 30 June 2016 and 31 December 2015.

54.1 Valuation technique, input and process

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

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

54.1 Valuation technique, input and process (Continued)

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

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

During the interim period, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

54.2 Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: fair value measurements are not based on observable market data (that is, unobservable inputs).

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

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central bank, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

54.3 Financial assets and financial liabilities not measured at fair value on the condensed consolidated interim statement of financial position (Continued)

	30 June 2016				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Held-to-maturity investments	**2,662,523**	**2,741,822**	**2,315**	**2,739,473**	**34**
Debt instruments classified as receivables	**224,350**	**228,164**	**–**	**124,739**	**103,425**
Subtotal	**2,886,873**	**2,969,986**	**2,315**	**2,864,212**	**103,459**
Financial liabilities					
Bonds issued	**199,680**	**210,709**	**10,084**	**200,625**	**–**
Subtotal	**199,680**	**210,709**	**10,084**	**200,625**	**–**

	31 December 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	2,300,824	2,387,518	2,058	2,385,423	37
Debt instruments classified as receivables	192,097	196,282	–	133,768	62,514
Subtotal	2,492,921	2,583,800	2,058	2,519,191	62,551
Financial liabilities					
Bonds issued	198,476	199,289	9,816	189,473	–
Subtotal	198,476	199,289	9,816	189,473	–

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value.

	30 June 2016			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
– Debt securities	–	80,083	–	80,083
– Precious metal contracts	–	38,364	–	38,364
Subtotal	–	118,447	–	118,447
Financial assets designated at fair value through profit or loss				
– Debt securities	–	127,959	–	127,959
– Interest in trust products	–	–	147,057	147,057
– Other debt instruments	–	–	46,702	46,702
– Equity instruments	929	700	2,999	4,628
Subtotal	929	128,659	196,758	326,346
Derivative financial assets				
– Exchange rate derivatives	–	15,690	57	15,747
– Interest rate derivatives	–	677	17	694
– Precious metal contracts	–	2,603	–	2,603
Subtotal	–	18,970	74	19,044
Available-for-sale financial assets				
– Debt securities	28,647	1,295,540	728	1,324,915
– Equity instruments	1,934	–	4,636	6,570
– Fund investments	4,754	–	–	4,754
Others	–	–	9,014	9,014
Subtotal	35,335	1,295,540	14,378	1,345,253
Total assets	36,264	1,561,616	211,210	1,809,090
Financial liabilities held for trading				
– Financial liabilities related to precious metals	–	(19,150)	–	(19,150)
Financial liabilities designated at fair value through profit or loss				
– Principal guaranteed wealth management products	–	–	(293,749)	(293,749)
Derivative financial liabilities				
– Exchange rate derivatives	–	(11,264)	(99)	(11,363)
– Interest rate derivatives	–	(1,794)	(18)	(1,812)
– Precious metal contracts and others	–	(8,962)	–	(8,962)
Subtotal	–	(22,020)	(117)	(22,137)
Total liabilities	–	(41,170)	(293,866)	(335,036)

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
– Debt securities	–	65,050	–	65,050
– Precious metal contracts	–	14,732	–	14,732
Subtotal	–	79,782	–	79,782
Financial assets designated at fair value through profit or loss				
– Debt securities	–	105,584	649	106,233
– Interest in trust products	–	–	201,583	201,583
– Other debt instruments	–	–	47,714	47,714
– Equity instruments	1,019	700	2,230	3,949
Subtotal	1,019	106,284	252,176	359,479
Derivative financial assets				
– Exchange rate derivatives	–	13,833	38	13,871
– Interest rate derivatives	–	900	20	920
– Precious metal contracts	–	1,247	–	1,247
Subtotal	–	15,980	58	16,038
Available-for-sale financial assets				
– Debt securities	15,138	1,187,375	84	1,202,597
– Equity instruments	1,498	–	3,547	5,045
– Fund investments	6,586	–	–	6,586
Subtotal	23,222	1,187,375	3,631	1,214,228
Total assets	24,241	1,389,421	255,865	1,669,527
Financial liabilities held for trading				
– Financial liabilities related to precious metals	–	(24,036)	–	(24,036)
Financial liabilities designated at fair value through profit or loss				
– Principal guaranteed wealth management products	–	–	(406,407)	(406,407)
Derivative financial liabilities				
– Exchange rate derivatives	–	(11,129)	(65)	(11,194)
– Interest rate derivatives	–	(935)	(26)	(961)
– Precious metal contracts	–	(37)	–	(37)
Subtotal	–	(12,101)	(91)	(12,192)
Total liabilities	–	(36,137)	(406,498)	(442,635)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options and precious metal contracts. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps and currency options are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts is determined with reference to the closing spot price of gold of the Shanghai Gold Exchange. All significant inputs are observable in the market.

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

The nature of the assets classified within Level 3 of the fair value measurement hierarchy is primarily investment products issued by domestic trust companies or other financial institutions, underlying assets of which include credit assets, deposits with financial institutions and debt securities. The counterparties of the underlying deposits are primarily commercial banks in Mainland China. The credit assets and debt securities are loans and advances to corporate customers and, plain vanilla bonds or notes issued by corporates or financial institutions in Mainland China. As not all of the inputs needed to estimate the fair value of deposits, credit assets and debt securities in the investment products are observable, the Group classified the investment product as a whole within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these underlying assets in a current arm's length sale could differ from those disclosed.

There were no significant transfers between levels of the fair value hierarchy during the period ended 30 June 2016 and the year ended 31 December 2015.

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

	Six months ended 30 June 2016				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available - for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2016	252,176	58	3,631	(406,407)	(91)
Purchases	97,598	–	11,589	–	–
Issues	–	–	–	(907,824)	–
Settlements/disposals	(156,577)	8	(847)	1,026,203	(12)
Total gain/(loss) recognized in					
– Profit or loss	3,561	8	(40)	(5,721)	(14)
– Other comprehensive income	–	–	45	–	–
30 June 2016	196,758	74	14,378	(293,749)	(117)
Change in unrealized gain/(loss) for the period included in profit or loss for assets/liabilities held at the end of the period	(411)	4	–	(112)	(14)

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	2015				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available - for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2015	309,506	223	1,440	(347,282)	(296)
Purchases	384,359	–	2,599	–	–
Issues	–	–	–	(3,007,928)	–
Settlements/disposals	(458,126)	(131)	(408)	2,963,544	144
Total gain/(loss) recognized in					
– Profit or loss	16,437	(34)	3	(14,741)	61
– Other comprehensive income	–	–	(3)	–	–
31 December 2015	252,176	58	3,631	(406,407)	(91)
Change in unrealized gain/(loss) for the year included in profit or loss for assets/liabilities held at the end of the year	962	(177)	–	9	190

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net (loss)/gain on financial instruments designated at fair value through profit or loss of the condensed consolidated interim income statement.

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

1 LIQUIDITY COVERAGE RATIO

	Three months ended	
	30 June 2016	31 March 2016
Average Liquidity Coverage Ratio	**138.6%**	138.3%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
30 June 2016				
Spot assets	**656,572**	**81,656**	**92,301**	**830,529**
Spot liabilities	**(619,269)**	**(177,589)**	**(51,944)**	**(848,802)**
Forward purchases	**742,461**	**42,189**	**90,834**	**875,484**
Forward sales	**(692,206)**	**(35,705)**	**(168,449)**	**(896,360)**
Net options position	**(4,231)**	**–**	**(39)**	**(4,270)**
Net long position	**83,327**	**(89,449)**	**(37,297)**	**(43,419)**
Net structural position	**3,420**	**5,482**	**1,408**	**10,310**

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2015				
Spot assets	651,473	76,506	67,668	795,647
Spot liabilities	(647,679)	(103,726)	(56,023)	(807,428)
Forward purchases	640,006	48,691	62,503	751,200
Forward sales	(644,902)	(16,954)	(99,559)	(761,415)
Net options position	1,470	5	(182)	1,293
Net long position	368	4,522	(25,593)	(20,703)
Net structural position	3,424	5,445	1,445	10,314

(Amounts in millions of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

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

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	**Official sector**	**Non-bank private sector**	**Total**
30 June 2016				
Asia Pacific	**62,603**	**13,418**	**69,399**	**145,420**
– of which attributable to Hong Kong	**24,403**	**6,357**	**45,427**	**76,187**
Europe	**29,284**	**890**	**31,757**	**61,931**
North and South America	**121,951**	**44,729**	**180,412**	**347,092**
Africa	**124**	**–**	**214**	**338**
Total	**213,962**	**59,037**	**281,782**	**554,781**

	Banks	Official sector	Non-bank private sector	Total
31 December 2015				
Asia Pacific	76,289	16,791	84,691	177,771
– of which attributable to Hong Kong	19,010	13,888	67,530	100,428
Europe	24,437	1,478	18,989	44,904
North and South America	117,738	46,497	173,856	338,091
Africa	396	–	213	609
Total	218,860	64,766	277,749	561,375

(Amounts in millions of Renminbi, unless otherwise stated)

4 OVERDUE AND RESCHEDULED ASSETS

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

	30 June 2016	31 December 2015
Overdue		
within 3 months	**98,631**	98,465
between 3 and 6 months	**36,466**	38,809
between 6 and 12 months	**70,130**	66,289
over 12 months	**98,057**	75,949
Total	**303,284**	279,512
Percentage of overdue loans and advances to customers in total loans		
within 3 months	**1.05%**	1.11%
between 3 and 6 months	**0.39%**	0.44%
between 6 and 12 months	**0.75%**	0.74%
over 12 months	**1.04%**	0.85%
Total	**3.23%**	3.14%

(2) Overdue and rescheduled loans and advances to customers

	30 June 2016	31 December 2015
Total rescheduled loans and advances to customers	**32,664**	27,919
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**9,386**	13,644
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	**0.10%**	0.15%

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