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

2019 INTERIM REPORT

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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/Agricultural Bank of China/the Bank/ the Group/We	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
3.	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 subsequently issued
4.	CBIRC	China Banking and Insurance Regulatory Commission, or its predecessors, the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, where the context requires
5.	County Area(s)	The county-level regions (excluding the district-level areas in the cities) in the People's Republic of China and the areas under their administration, including counties and county-level cities
6.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial services 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"
7.	County Area Banking Division	An internal division with management mechanism adopted by us 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 in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
8.	CSRC	China Securities Regulatory Commission
9.	H Share(s)	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
10.	Hong Kong Listing Rules	*The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*

11.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
12.	Huijin	Central Huijin Investment Ltd.
13.	MOF	Ministry of Finance of the People's Republic of China
14.	PBOC	The People's Bank of China
15.	Sannong	Agriculture, rural areas and farmers
16.	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	ZHOU Wanfu
Secretary to the Board of Directors and Company Secretary	ZHOU Wanfu Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85126571 E-mail: ir@abchina.com
Selected media for information disclosure	*China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily*
Website of Shanghai Stock Exchange publishing the interim report (A Shares)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the interim report (H Shares)	www.hkexnews.hk
Location where copies of the interim report are kept	Office of the Board of Directors of the Bank
Listing exchange of A Shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 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: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)

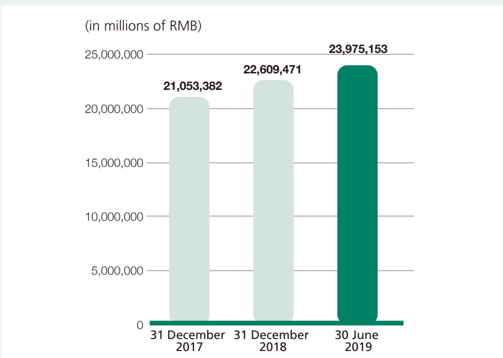
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001) 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Legal advisor as to laws of Mainland China	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre, No. 1, East 3rd Ring Middle Road, Chaoyang District, Beijing
Legal advisor as to laws of Hong Kong	Fangda Partners
Address	26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Domestic auditor	PricewaterhouseCoopers Zhong Tian LLP
Address	11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai
Name of the undersigned accountants	JIANG Kun, HAN Dan
International auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong
Sponsor institution of continuous supervision and guidance	CITIC Securities Co., Ltd.
Address	North Tower, Excellence Times Plaza II No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong
Name of the undersigned sponsor representatives	ZHU Yu, SUN Yi
The period of continuous supervision and guidance	2 July 2018 to 31 December 2019

Financial Highlights

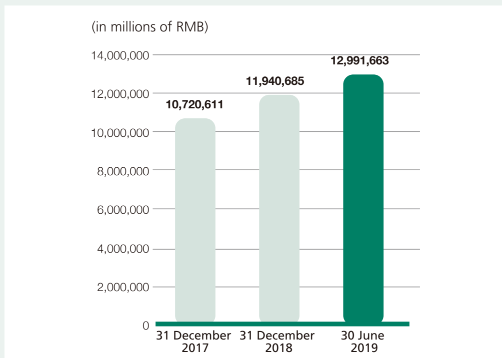
In the financial statements for 2018 and the first half of 2019, accrued interest was included in the balance of relevant items, such as deposits and placements with and loans to banks and other financial institutions, loans and advances to customers, financial investments, deposits and placements from banks and other financial institutions, and deposits from customers.

(Financial data and indicators recorded in this report are prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") and denominated in RMB, unless otherwise stated)

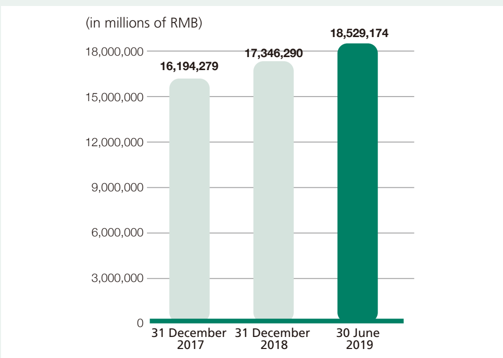
Total assets



Total loans and advances to customers

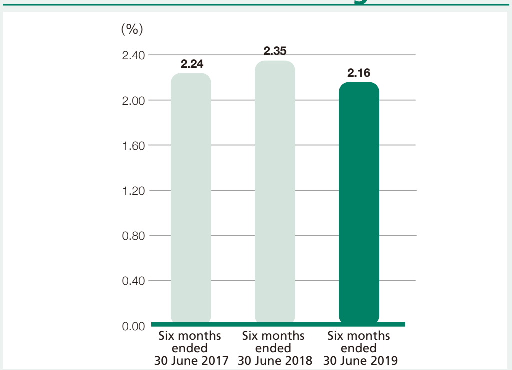


Deposits from customers

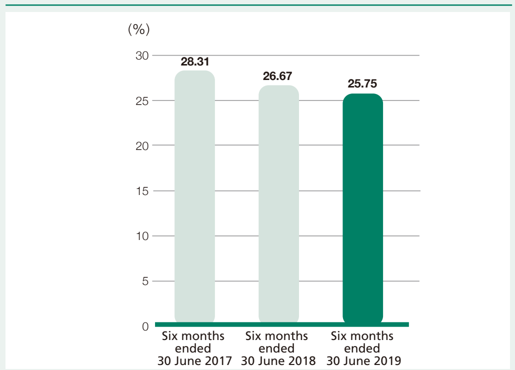


Net profit

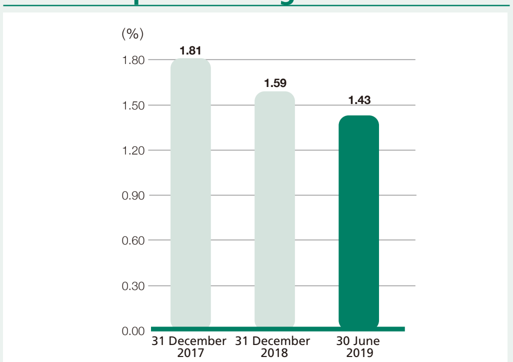
Net interest margin



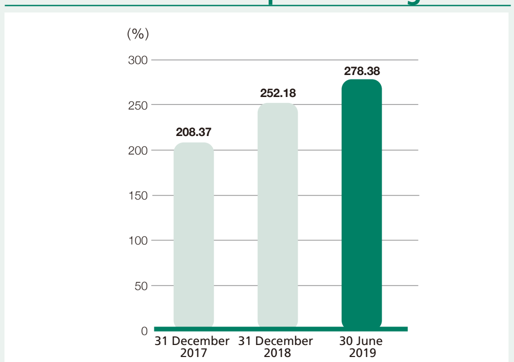
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Basic Corporate Information and Major Financial Indicators

Major Financial Data

	30 June 2019	31 December 2018	31 December 2017
At the end of the reporting period			
(in millions of RMB)			
Total assets	**23,975,153**	22,609,471	21,053,382
Total loans and advances to customers	**12,991,663**	11,940,685	10,720,611
Including: Corporate loans	**7,058,678**	6,514,383	6,147,584
Discounted bills	**379,266**	343,961	187,502
Retail loans	**5,089,649**	4,665,871	4,000,273
Overseas and others	**434,709**	389,410	385,252
Allowance for impairment losses on loans	**515,873**	479,143	404,300
Loans and advances to customers, net	**12,475,790**	11,461,542	10,316,311
Financial investments	**7,287,814**	6,885,075	6,152,743
Cash and balances with central banks	**2,556,509**	2,805,107	2,896,619
Deposits and placements with and loans to banks and other financial institutions	**676,277**	661,741	635,514
Financial assets held under resale agreements	**321,801**	371,001	540,386
Total liabilities	**22,237,018**	20,934,684	19,623,985
Deposits from customers	**18,529,174**	17,346,290	16,194,279
Including: Corporate deposits	**6,926,330**	6,559,082	6,379,447
Retail deposits	**10,446,864**	9,791,974	9,246,510
Overseas and others	**941,667**	794,590	568,322
Deposits and placements from banks and other financial institutions	**1,622,533**	1,449,863	1,254,791
Financial assets sold under repurchase agreements	**51,257**	157,101	319,789
Debt securities issued	**912,386**	780,673	475,017
Equity attributable to equity holders of the Bank	**1,732,667**	1,670,294	1,426,415
Net capital[1]	**2,286,949**	2,073,343	1,731,946
Common Equity Tier 1 (CET1) capital, net[1]	**1,644,972**	1,583,927	1,339,953
Additional Tier 1 capital, net[1]	**79,906**	79,906	79,906
Tier 2 capital, net[1]	**562,071**	409,510	312,087
Risk-weighted assets[1]	**14,774,429**	13,712,894	12,605,577

	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2017
Interim operating results (in millions of RMB)			
Operating income	**324,467**	307,950	279,319
Net interest income	**237,632**	233,833	211,323
Net fee and commission income	**50,899**	43,637	42,465
Operating expenses	**105,153**	99,961	101,414
Credit impairment losses[2]	**73,475**	66,417	N/A
Impairment losses on assets	**N/A**	N/A	44,697
Total profit before tax	**145,862**	141,552	133,210
Net profit	**122,372**	115,976	108,670
Net profit attributable to equity holders of the Bank	**121,445**	115,789	108,593
Net cash generated from operating activities	**(10,512)**	(221,452)	342,873

Financial Indicators

	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2017
Profitability (%)			
Return on average total assets[3]	**1.05***	1.08*	1.08*
Return on weighted average net assets[4]	**14.57***	16.72*	16.74*
Net interest margin[5]	**2.16***	2.35*	2.24*
Net interest spread[6]	**2.02***	2.24*	2.11*
Return on risk-weighted assets[1, 7]	**1.66***	1.75*	1.81*
Net fee and commission income to operating income	**15.69**	14.17	15.20
Cost-to-income ratio[8]	**25.75**	26.67	28.31
Data per share (RMB Yuan)			
Basic earnings per share[4]	**0.34**	0.35	0.33
Diluted earnings per share[4]	**0.34**	0.35	0.33
Net cash per share generated from operating activities	**(0.03)**	(0.63)	1.06

	30 June 2019	31 December 2018	31 December 2017
Asset Quality (%)			
Non-performing loan ratio[9]	**1.43**	1.59	1.81
Allowance to non-performing loans[10]	**278.38**	252.18	208.37
Allowance to loan ratio[11]	**3.98**	4.02	3.77
Capital adequacy (%)			
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	**11.13**	11.55	10.63
Tier 1 capital adequacy ratio[1]	**11.67**	12.13	11.26
Capital adequacy ratio[1]	**15.48**	15.12	13.74
Risk-weighted assets to total assets ratio[1]	**61.62**	60.65	59.87
Total equity to total assets ratio	**7.25**	7.41	6.79
Data per share (RMB Yuan)			
Net assets per ordinary share[12]	**4.72**	4.54	4.15

Notes: 1. Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.
2. The data of the item for the corresponding period of 2018 was reclassified to conform with the presentation of the financial statements for this reporting period.
3. Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.
4. 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 (2010 Revision) issued by the CSRC and International Accounting Standard 33 — Earnings per share.
5. Calculated by dividing net interest income by the average balances of interest-earning assets.
6. Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
7. 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 CBIRC.
8. Calculated by dividing operating and administrative expenses by operating income in accordance with CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.
9. Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).
10. Calculated by dividing the balance of allowance for impairment losses on loans (excluding accrued interest) by the balance of non-performing loans (excluding accrued interest), among which, the balance of allowance for impairment losses on loans (excluding accrued interest) does not include the balance of allowance for impairment losses on loans at fair value through other comprehensive income.
11. Calculated by dividing the balance of allowance for impairment losses on loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest), among which, the balance of allowance for impairment losses on loans (excluding accrued interest) does not include the balance of allowance for impairment losses on loans at fair value through other comprehensive income.
12. Calculated by dividing equity attributable to ordinary equity holders of the Bank after deduction of preference shares at the end of the period by the total number of ordinary shares at the end of the period.

* Annualized figures.

Other Financial Indicators

		Regulatory Standard	30 June 2019	31 December 2018	31 December 2017
Liquidity ratio[1] (%)	RMB	≥25	**54.23**	55.17	50.95
	Foreign Currency	≥25	**133.23**	101.77	106.74
Percentage of loans to the largest single customer[2] (%)		≤10	**5.25**	5.53	7.26
Percentage of loans to the top ten customers[3] (%)			**14.75**	15.25	18.27
Loan migration ratio[4] (%)	Normal		**1.00**	1.72	2.13
	Special mention		**11.91**	16.93	18.70
	Substandard		**38.25**	61.48	71.48
	Doubtful		**4.77**	8.91	6.94

Notes: 1. Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBIRC.
2. Calculated by dividing total loans to the largest single customer (excluding accrued interest) by net capital.
3. Calculated by dividing total loans to the top ten customers (excluding accrued interest) by net capital.
4. Calculated in accordance with the relevant regulations of the CBIRC, reflecting domestic data only.

Environment and Prospects

During the first half of 2019, global economy was slowing down. The growth momentum of the major developed economies continued to slow. The US economy experienced moderate growth with a decline in its GDP growth following a surge in the first quarter, a decelerated growth in commodity price and the unemployment rate remaining low. Eurozone economic growth continued to ease down, albeit with a moderate level of inflation and a decrease in the unemployment rate. The UK economy continued its slow growth, with Brexit creating greater uncertainty. The Japanese economy experienced a slight rebound in growth, with low inflation and unemployment rate. Emerging market economies experienced a differentiated performance. For example, the economic growth in India moderated, while the economies of Russia and South Africa steadily recovered.

In the first half of 2019, China economy remained resilient, with a GDP growth of 6.3% as compared to the corresponding period of the previous year. The growth impetus conversion was accelerated and the effectiveness of the structure optimisation was embodied. Due to the decelerated growth in manufacturing industry and infrastructure investment, the growth in fixed asset investment has slightly slowed down. Because of the increased household leverage and decreased auto sales, the growth in consumption was eased down. Consumption contributed 60.1% to economic growth. Trade friction led to a slight decrease in the export growth. The CPI rose moderately, while the PPI declined. As the supply-side structural reform was deepened with the leverage ratio of industrial enterprise declined, while investment into the weak areas maintained strong growth.

During the first half of 2019, the Chinese government continued to adopt proactive fiscal policies and prudent monetary policies. The fiscal policies were focused on reducing taxes and fees, bolstering weak areas, and economic restructuring. Monetary policies remained moderate, with counter-cyclic adjustments being adopted timely and appropriately. The PBOC maintained reasonable and adequate liquidity by using monetary policy tools, including lowering of the deposit reserve ratio, flexibly conducting open market operations, and launching innovated tools, namely the Targeted Medium-term Lending Facility (TMLF) and Central Bank Bills Swap (CBS). The risk-free interest rate in the market generally declined and a decrease in bond defaults facilitated credit spreads became narrow. By deepening supply-side structural reform in the financial sector, the ability to support the weak areas of economy and innovation was further enhanced.

Looking forward to the second half of 2019, the global economy will face many uncertainties with a weakening trend in growth impetus. According to the IMF estimate in July, global economic growth for 2019 will be 3.2%, a decrease of 0.1% as compared to the last estimate. It is expected that China economy will grow within a reasonable range. Consumption growth is expected to maintain stable as the effectiveness of the policies for tax reduction and household consumption stimulation was gradually embodied. Growth in infrastructure investment will recover as new infrastructure investment becomes a highlight, supported by a policy allowing special bonds to be used as capital funding for qualified large projects. Fiscal policies will be focused more effectively by launching a range of tax reduction measures. Monetary policies will be targeted at enhancing coordination among them and improving the efficiency of their channels to market. Policies like these will maintain appropriate levels of liquidity and stable market interest rates, as well as keeping the growth in M2 and total social financing proportionate to nominal GDP growth. Liberalization of interest rates will continue, the RMB exchange rate will basically remain stable within a reasonable and balanced range, and the financial regulatory mechanism will be further improved. The supply-side structural reform in the financial sector will be further encouraged, so that the financing and the credit structure will be improved, making the financial system more compatible with the supply and demand of the real economy.

In the second half of 2019, we will actively implement the supply-side reform in the financial sector, and focus on digital transformation as our primary operating strategy. Focusing on bolstering weak areas of our business and key business areas, we will improve our ability to serve the real economy. First, we will strengthen our competitiveness in "Sannong" and County Areas through innovation. We will accelerate digital transformation and enhance our competitiveness in businesses in "Sannong" and County Areas through new technologies, means and operating models. We will add the functions of payment, wealth management, e-commerce and poverty alleviation to "Huinong E-loan", to build it as an Internet financing product with our own features. Second, we will promote transformation of our retail business by implementing digital transformation and developing our traditional business concurrently. We will focus on enhancing the competitiveness of our retail business through achieving breakthroughs in four areas, namely, methods for obtaining and retaining customers, digital products and services, comprehensive collaboration of our online and offline channels, and capability empowered by financial technology. Finally, we will continuously promote innovation in systems and operating procedures, to clear the major obstacles in digital transformation. We will accelerate modification of our systems related to our online financing business, optimize our online and offline integrated operating and service procedures, and establish a risk control model appropriate for the online business.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2019, we achieved a net profit of RMB122,372 million, representing an increase of RMB6,396 million, or 5.5%, compared to the corresponding period of the previous year.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	Six months ended 30 June 2019	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Net interest income	**237,632**	233,833	3,799	1.6
Net fee and commission income	**50,899**	43,637	7,262	16.6
Other non-interest income	**35,936**	30,480	5,456	17.9
Operating income	**324,467**	307,950	16,517	5.4
Less: Operating expenses[1]	**105,153**	99,961	5,192	5.2
Credit impairment losses[1]	**73,475**	66,417	7,058	10.6
Impairment losses on other assets[1]	**(48)**	26	(74)	-284.6
Operating profit	**145,887**	141,546	4,341	3.1
Share of result of associates and joint ventures	**(25)**	6	(31)	-516.7
Profit before tax	**145,862**	141,552	4,310	3.0
Less: Income tax expense	**23,490**	25,576	(2,086)	-8.2
Net profit	**122,372**	115,976	6,396	5.5
Attributable to: Equity holders of the Bank	**121,445**	115,789	5,656	4.9
Non-controlling interests	**927**	187	740	395.7

Note: 1. The data of the item for the corresponding period of 2018 was reclassified to conform with the presentation of the financial statements for this reporting period.

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 73.2% of the total operating income in the first half of 2019. Our net interest income was RMB237,632 million in the first half of 2019, representing an increase of RMB3,799 million compared to the corresponding period of the previous year, among which changes in volume resulted in an increase of RMB26,038 million while changes in interest rates resulted in a decrease of RMB22,239 million in net interest income.

In the first half of 2019, our net interest margin and net interest spread were 2.16% and 2.02%, representing decreases of 19 basis points and 22 basis points, respectively, compared to the corresponding period of the previous year. The decreases in net interest margin and net interest spread were primarily due to: (1) the increase in cost of deposits as a result of intensified market competition in the deposit business; (2) the increase in the amount of loans extended to fields as inclusive finance and poverty alleviation; and (3) the decreases in both the average yields of debt securities investments and amounts due from banks and other financial institutions caused by downward market interest rate.

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 2019			Six months ended 30 June 2018		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income/ expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	**12,544,276**	**274,879**	**4.42**	11,145,374	242,422	4.39
Debt securities investments[1]	**6,251,227**	**114,046**	**3.68**	5,541,621	103,077	3.75
Non-restructuring-related debt securities	**5,867,036**	**108,178**	**3.72**	5,175,942	97,517	3.80
Restructuring-related debt securities[2]	**384,191**	**5,868**	**3.08**	365,679	5,560	3.07
Balances with central banks	**2,315,933**	**17,637**	**1.54**	2,626,701	20,732	1.59
Amounts due from banks and other financial institutions[3]	**1,084,349**	**15,008**	**2.79**	719,088	12,063	3.38
Total interest-earning assets	**22,195,785**	**421,570**	**3.83**	20,032,784	378,294	3.81
Allowance for impairment losses[4]	**(510,056)**			(438,004)		
Non-interest-earning assets[4]	**1,367,342**			1,230,965		
Total assets	**23,053,071**			20,825,745		
Liabilities						
Deposits from customers	**17,535,288**	**138,874**	**1.60**	16,182,316	108,160	1.35
Amounts due to banks and other financial institutions[5]	**1,740,555**	**22,844**	**2.65**	1,368,611	18,989	2.80
Other interest-bearing liabilities[6]	**1,267,858**	**22,220**	**3.53**	1,002,375	17,312	3.48
Total interest-bearing liabilities	**20,543,701**	**183,938**	**1.81**	18,553,302	144,461	1.57
Non-interest-bearing liabilities[4]	**1,024,168**			1,007,178		
Total liabilities	**21,567,869**			19,560,480		
Net interest income		**237,632**			233,833	
Net interest spread			**2.02**			2.24
Net interest margin			**2.16**			2.35

Notes:
1. *Debt securities investments include debt securities investments at fair value through other comprehensive income and debt securities investments at amortized cost.*
2. *Restructuring-related debt securities include the receivable from the MOF and the 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 balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the 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	30,654	1,803	32,457
Debt securities investments	12,946	(1,977)	10,969
Balances with central banks	(2,367)	(728)	(3,095)
Amounts due from banks and other financial institutions	5,055	(2,110)	2,945
Changes in interest income	46,288	(3,012)	43,276
Liabilities			
Deposits from customers	10,715	19,999	30,714
Amounts due to banks and other financial institutions	4,882	(1,027)	3,855
Other interest-bearing liabilities	4,653	255	4,908
Changes in interest expense	20,250	19,227	39,477
Changes in net interest income	**26,038**	**(22,239)**	**3,799**

Note: Changes caused by both volume and interest rate have been allocated to changes in volume.

Interest Income

We achieved interest income of RMB421,570 million in the first half of 2019, representing an increase of RMB43,276 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB2,163,001 million in the average balance and an increase of two basis points in the average yield of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB32,457 million, or 13.4%, compared to the corresponding period of the previous year to RMB274,879 million, which was primarily due to an increase of RMB1,398,902 million in the average balance and an increase of three basis points in the average yield.

Interest income from corporate loans increased by RMB12,101 million, or 8.6%, to RMB153,547 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB471,275 million in the average balance and an increase of five basis points in the average yield. Interest income from retail loans increased by RMB17,473 million, or 19.1%, to RMB108,909 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB702,503 million in the average balance and an increase of nine basis points in the average yield. The increases in the average yields of both corporate loans and retail loans were primarily due to the increase in the proportion of long-term loans and the increases in interest rates of outstanding loans after being re-priced.

Interest income from discounted bills increased by RMB2,366 million, or 69.6%, to RMB5,764 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB207,024 million in the average balance, partially offset by a decrease of 143 basis points in the average yield. The decrease in the average yield was primarily due to the decrease in the interest rate in the bills discount market.

Interest income from overseas and other loans increased by RMB517 million, or 8.4%, to RMB6,659 million compared to the corresponding period of the previous year, which was primarily due to an increase of 12 basis points in the average yield.

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

	Six months ended 30 June 2019			Six months ended 30 June 2018		
Item	**Average balance**	**Interest income**	**Average yield[1] (%)**	Average balance	Interest income	Average yield[1] (%)
Corporate loans	**6,893,502**	**153,547**	**4.49**	6,422,227	141,446	4.44
Short-term corporate loans	**2,257,555**	**47,813**	**4.27**	2,359,292	49,286	4.21
Medium- and long-term corporate loans	**4,635,947**	**105,734**	**4.60**	4,062,935	92,160	4.57
Discounted bills	**351,971**	**5,764**	**3.30**	144,947	3,398	4.73
Retail loans	**4,879,069**	**108,909**	**4.50**	4,176,566	91,436	4.41
Overseas and others	**419,734**	**6,659**	**3.20**	401,634	6,142	3.08
Total loans and advances to customers	**12,544,276**	**274,879**	**4.42**	11,145,374	242,422	4.39

Note: 1. Annualized figures.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of interest income. In the first half of 2019, interest income from debt securities investments increased by RMB10,969 million to RMB114,046 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB709,606 million in the average balance, partially offset by a decrease of seven basis points in the average yield. The decrease in the average yield was mainly due to the lower interest rate in the debt securities market compared to the corresponding period of the previous year and the increase in the proportion of local government debts with relatively low yields in the investment portfolios.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB3,095 million to RMB17,637 million compared to the corresponding period of the previous year, which was primarily due to a decrease of RMB310,768 million in the average balance.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB2,945 million to RMB15,008 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB365,261 million in the average balance, partially offset by a decrease of 59 basis points in the average yield. The decrease in the average yield was primarily due to the lower interest rate in the monetary market compared to the corresponding period of the previous year.

Interest Expense

Interest expense increased by RMB39,477 million to RMB183,938 million compared to the corresponding period of the previous year, which was mainly due to an increase of RMB1,990,399 million in the average balance and an increase of 24 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB30,714 million to RMB138,874 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB1,352,972 million in the average balance and an increase of 25 basis points in the average cost.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

	Six months ended 30 June 2019			Six months ended 30 June 2018		
Item	Average balance	Interest expense	Average cost[1] (%)	Average balance	Interest expense	Average cost[1] (%)
Corporate deposits						
Time	**2,391,220**	**32,357**	**2.73**	2,226,510	27,913	2.53
Demand	**4,653,145**	**18,218**	**0.79**	4,480,579	15,206	0.68
Subtotal	**7,044,365**	**50,575**	**1.45**	6,707,089	43,119	1.30
Retail deposits						
Time	**4,930,161**	**65,411**	**2.68**	4,466,321	54,076	2.44
Demand	**5,560,762**	**22,888**	**0.83**	5,008,906	10,965	0.44
Subtotal	**10,490,923**	**88,299**	**1.70**	9,475,227	65,041	1.38
Total deposits from customers	**17,535,288**	**138,874**	**1.60**	16,182,316	108,160	1.35

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 increased by RMB3,855 million to RMB22,844 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB371,944 million in the average balance, partially offset by a decrease of 15 basis points in average cost. The decrease in the average cost was primarily due to the lower average cost of cooperative deposits from banks and other financial institutions compared to the corresponding period of the previous year as affected by market environment.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB4,908 million to RMB22,220 million compared to the corresponding period of the previous year, primarily due to an increase of RMB265,483 million in the average balance and an increase of five basis points in the average cost. The increase in the average balance was mainly due to the issuances of interbank certificates of deposit and tier-2 capital bonds by the Bank. The increase in the average cost was mainly due to the higher interest rate of the newly issued tier-2 capital bonds.

Net Fee and Commission Income

In the first half of 2019, we generated net fee and commission income of RMB50,899 million, representing an increase of RMB7,262 million, or 16.6%, compared to the corresponding period of the previous year. In particular, settlement and clearing fees increased by 15.3%, which was primarily due to the increase in income from settlement for corporate customer; electronic banking service fees increased by 41.7%, which was primarily due to the increase in income from e-commerce banking services; income from consultancy and advisory business increased by 34.9%, which was primarily due to the increase in income from syndicated loan business; and bank card fees increased by 15.0%, which was primarily due to the increase in installment business of credit card.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Agency commissions	**12,384**	12,231	153	1.3
Settlement and clearing fees	**6,721**	5,831	890	15.3
Bank card fees	**14,289**	12,426	1,863	15.0
Consultancy and advisory fees	**7,453**	5,526	1,927	34.9
Electronic banking service fees	**12,870**	9,081	3,789	41.7
Custodian and other fiduciary service fees	**2,250**	2,144	106	4.9
Credit commitment fees	**1,112**	1,007	105	10.4
Others	**217**	250	(33)	-13.2
Fee and commission income	**57,296**	48,496	8,800	18.1
Less: Fee and commission expenses	**6,397**	4,859	1,538	31.7
Net fee and commission income	**50,899**	43,637	7,262	16.6

Other Non-interest Income

In the first half of 2019, other non-interest income amounted to RMB35,936 million, representing an increase of RMB5,456 million compared to the corresponding period of the previous year. In particular, net trading gain increased by RMB4,425 million, which was primarily due to the increase in gain on the equity investment at fair value through profit or loss. Net gain on financial investment decreased by RMB2,996 million, which was primarily due to the decrease in net gain on the principal guaranteed wealth management products. Other operating income increased by RMB4,029 million, which was primarily due to the increase in insurance premium income of our subsidiary.

Composition of Other Non-interest Income

In millions of RMB

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Net trading gain	**12,231**	7,806
Net gain on financial investments[1]	**1,080**	4,076
Net gain on derecognition of financial assets measured at amortized cost[1]	**–**	2
Other operating income	**22,625**	18,596
Total	**35,936**	30,480

Note: 1. The data of the item for the corresponding period of 2018 was reclassified to conform with the presentation of the financial statements for this reporting period.

Operating expenses

In the first half of 2019, our operating expenses increased by RMB5,192 million to RMB105,153 million compared to the corresponding period of the previous year; cost-to-income ratio decreased by 0.92 percentage point to 25.75% compared to the corresponding period of the previous year. In particular, staff costs increased by 3.6%; general operating and administrative expenses decreased by 8.5%, which was primarily due to the decrease in house leasing fees after implementation of IFRS 16 — Leases; insurance benefits and claims increased by 29.5%, which was primarily due to the increase in the allowance for impairment losses related to life insurance business; depreciation and amortization increased by 11.6%, which was primarily due to the increase in the depreciation of right-of-use assets after implementation of IFRS 16 — Leases.

Composition of operating expense

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Staff costs	**58,397**	56,384	2,013	3.6
General operating and administrative expenses	**15,628**	17,079	(1,451)	-8.5
Insurance benefits and claims	**18,059**	13,944	4,115	29.5
Depreciation and amortization	**9,188**	8,236	952	11.6
Tax and surcharges	**2,753**	2,646	107	4.0
Others[1]	**1,128**	1,672	(544)	-32.5
Total[1]	**105,153**	99,961	5,192	5.2

Note: 1. The data of the item for the corresponding period of 2018 was reclassified to conform with the presentation of the financial statements for this reporting period.

Credit Impairment Losses

In the first half of 2019, credit impairment losses were RMB73,475 million. In particular, impairment losses on loans increased by RMB4,763 million to RMB71,418 million compared to the corresponding period of the previous year, primarily because we made the allowance for impairment losses on loans with a prudent approach after full consideration of the uncertainties in the macro environment.

Income Tax Expense

In the first half of 2019, income tax expense decreased by RMB2,086 million, or 8.2%, to RMB23,490 million compared to the corresponding period of the previous year. The effective tax rate was 16.10%, lower than the statutory tax rate, which was primarily because the interest income from the PRC treasury bonds and the local government debts held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Information

The Bank assessed its performance and determined the allocation of resources based on the segment reports. The segment information below had been presented in a same manner with that of internal management and reporting. At present, the Bank manages its segments from the aspects of business lines, geographical regions and the County Area Banking Business.

The table below presents the Bank's operating income by business segment during the period indicated.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Corporate banking business	**143,045**	**44.1**	140,216	45.5
Retail banking business	**114,608**	**35.3**	118,822	38.6
Treasury operations	**40,583**	**12.5**	29,070	9.4
Other business	**26,231**	**8.1**	19,842	6.5
Total operating income	**324,467**	**100.0**	307,950	100.0

The table below presents the Bank's operating income by geographic segment during the period indicated.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Head Office	**29,479**	**9.1**	15,494	5.0
Yangtze River Delta	**59,151**	**18.2**	59,034	19.2
Pearl River Delta	**45,935**	**14.2**	45,261	14.7
Bohai Rim	**43,284**	**13.3**	45,747	14.9
Central China	**44,329**	**13.7**	44,470	14.4
Western China	**63,960**	**19.7**	64,253	20.9
Northeastern China	**10,681**	**3.3**	11,998	3.9
Overseas and others	**27,648**	**8.5**	21,693	7.0
Total operating income	**324,467**	**100.0**	307,950	100.0

The table below presents the Bank's operating income from 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 2019		Six months ended 30 June 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
County Area Banking Business	**117,120**	**36.1**	114,801	37.3
Urban Area Banking Business	**207,347**	**63.9**	193,149	62.7
Total operating income	**324,467**	**100.0**	307,950	100.0

Balance Sheet Analysis

Assets

At 30 June 2019, our total assets amounted to RMB23,975,153 million, representing an increase of RMB1,365,682 million, or 6.0%, compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,014,248 million, or 8.8%; financial investments increased by RMB402,739 million, or 5.8%; cash and balances with central banks decreased by RMB248,598 million, or 8.9%; deposits and placements with and loans to banks and other financial institutions increased by RMB14,536 million, or 2.2%; financial assets held under resale agreements decreased by RMB49,200 million, or 13.3%, primarily due to the decrease in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	**12,991,663**	**–**	11,940,685	–
Less: Allowance for impairment losses on loans	**515,873**	**–**	479,143	–
Loans and advances to customers, net	**12,475,790**	**52.0**	11,461,542	50.7
Financial investments	**7,287,814**	**30.4**	6,885,075	30.5
Cash and balances with central banks	**2,556,509**	**10.7**	2,805,107	12.4
Deposits and placements with and loans to banks and other financial institutions	**676,277**	**2.8**	661,741	2.9
Financial assets held under resale agreements	**321,801**	**1.3**	371,001	1.6
Others	**656,962**	**2.8**	425,005	1.9
Total assets	**23,975,153**	**100.0**	22,609,471	100.0

Loans and Advances to Customers

At 30 June 2019, total loans and advances to customers amounted to RMB12,991,663 million, representing an increase of RMB1,050,978 million, or 8.8%, compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	**12,527,593**	**96.6**	11,524,215	96.7
Corporate loans	**7,058,678**	**54.4**	6,514,383	54.7
Discounted bills	**379,266**	**2.9**	343,961	2.9
Retail loans	**5,089,649**	**39.3**	4,665,871	39.1
Overseas and others	**434,709**	**3.4**	389,410	3.3
Subtotal	**12,962,302**	**100.0**	11,913,625	100.0
Accrued interest	**29,361**	**–**	27,060	–
Total	**12,991,663**	**–**	11,940,685	–

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	**2,292,330**	**32.5**	2,179,691	33.5
Medium- and long-term corporate loans	**4,766,348**	**67.5**	4,334,692	66.5
Total	**7,058,678**	**100.0**	6,514,383	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	**1,246,026**	**17.7**	1,195,669	18.3
Production and supply of power, heat, gas and water	**855,442**	**12.1**	839,578	12.9
Real estate[1]	**697,677**	**9.9**	611,456	9.4
Transportation, logistics and postal services	**1,541,729**	**21.8**	1,380,611	21.2
Wholesale and retail	**336,406**	**4.8**	323,345	5.0
Water, environment and public utilities management	**502,672**	**7.1**	432,320	6.6
Construction	**272,937**	**3.9**	239,574	3.7
Mining	**207,030**	**2.9**	195,954	3.0
Leasing and commercial services	**1,025,405**	**14.5**	916,926	14.1
Finance	**137,755**	**2.0**	162,029	2.5
Information transmission, software and IT services	**31,632**	**0.4**	30,167	0.5
Others[2]	**203,967**	**2.9**	186,754	2.8
Total	**7,058,678**	**100.0**	6,514,383	100.0

Notes: 1. Classification of the loans in the above table is 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. As at the end of June 2019, the balance of real estate loans to corporate customers amounted to RMB367,329 million, representing an increase of RMB57,344 million over the end of the previous year.

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

In the first half of 2019, we formulated or revised the credit policies for various industries including biomass power generation, port, logistics, automobile manufacturing, and publishing and printing. To support the national strategic initiative of addressing overcapacity, we regularly monitored the increased credits granted to steel and coal industries. We also implemented regulatory policies for real estate industry and monthly monitored the operations and risks relating to real estate-related business.

At 30 June 2019, the five major industries of the corporate borrowers included: (1) transportation, logistics and postal services, (2) manufacturing, (3) leasing and commercial services, (4) production and supply of power, heat, gas and water, and (5) real estate. Aggregate loan balance of the top five major industries accounted for 76.0% of the total corporate loans, increased by 0.1 percentage point compared to the end of the previous year. The industry with the largest increase in proportion to the total corporate loans was transportation, logistics and postal services, while production and supply of power, heat, gas and water recorded the largest decrease in proportion to the total corporate loans.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Residential mortgage loans	**3,922,766**	**77.1**	3,660,574	78.4
Personal consumption loans	**165,570**	**3.3**	158,009	3.4
Loans to private business	**249,122**	**4.9**	215,616	4.6
Credit card balances	**454,675**	**8.9**	380,719	8.2
Loans to rural households	**296,684**	**5.8**	249,987	5.4
Others	**832**	**–**	966	–
Total	**5,089,649**	**100.0**	4,665,871	100.0

At 30 June 2019, our retail loans increased by RMB423,778 million, or 9.1%, compared to the end of the previous year. In particular, residential mortgage loans increased by 7.2% compared to the end of the previous year, primarily because we implemented the differentiated housing credit policies, and actively supported residents to purchase residential properties for non-investment purpose which resulted in the steady increase of residential mortgage loans; personal consumption loans increased by 4.8% compared to the end of the previous year, mainly due to rapid growth in the short- and medium-term Internet consumption loans such as "Internet Quick Loan" as we actively promoted the project of expansion of customers and scene-sensitive layout for personal consumption loans; loans to private business increased by 15.5% compared to the end of the previous year, which was mainly due to our proactive implementation of policies relating to serving the real economy and inclusive finance; credit card balances increased by 19.4% compared to the end of the previous year, primarily due to the increases in both the number of credit cards issued and the transaction volume of credit cards; loans to rural households increased by 18.7% compared to the end of the previous year, mainly because of the rapid development of online financing business for rural households and continuous increase in the support for new agricultural operation entities such as large-scale professional operator.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Head Office	**346,435**	**2.7**	303,703	2.5
Yangtze River Delta	**2,893,951**	**22.3**	2,674,175	22.4
Pearl River Delta	**2,050,516**	**15.8**	1,862,337	15.6
Bohai Rim	**1,955,406**	**15.1**	1,833,704	15.4
Central China	**1,908,729**	**14.7**	1,749,376	14.7
Northeastern China	**493,299**	**3.8**	460,207	3.9
Western China	**2,879,257**	**22.2**	2,640,713	22.2
Overseas and others	**434,709**	**3.4**	389,410	3.3
Subtotal	**12,962,302**	**100.0**	11,913,625	100.0
Accrued interest	**29,361**	**–**	27,060	–
Total	**12,991,663**	**–**	11,940,685	–

During the reporting period, we further optimized the allocation of credits by geographic region. We allocated strategic credit resources to the regions related to major regional development strategies of China and the free trade zones, and supported industrial transfer to Central and Western China as well as Northeastern China and investment in infrastructure construction in Central and Western China to facilitate balanced development of the regions.

Financial investments

At 30 June 2019, the financial investments amounted to RMB7,287,814 million, representing an increase of RMB402,739 million, or 5.8% compared to the end of the previous year. In particular, non-restructuring-related debt securities investments increased by RMB376,710 million compared to the end of the previous year, which was primarily due to the increase in investment in local government debts.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Non-restructuring-related debt securities	**6,537,151**	**91.0**	6,160,441	90.8
Restructuring-related debt securities	**384,249**	**5.4**	384,249	5.7
Equity instruments	**45,953**	**0.6**	37,963	0.5
Others[1]	**214,672**	**3.0**	201,873	3.0
Subtotal	**7,182,025**	**100.0**	6,784,526	100.0
Accrued interest	**105,789**	**–**	100,549	–
Total	**7,287,814**	**–**	6,885,075	–

Note: 1. Primarily including assets generated by investment of proceeds from issuance of wealth management products as agreed by the Bank.

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

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Government bonds	**3,352,351**	**51.3**	3,039,646	49.3
Bonds issued by policy banks	**1,455,073**	**22.3**	1,460,989	23.8
Bonds issued by banks and other financial institutions	**1,150,421**	**17.6**	982,181	15.9
Bonds issued by entities in public sectors	**197,755**	**3.0**	228,640	3.7
Corporate bonds	**381,551**	**5.8**	448,985	7.3
Total	**6,537,151**	**100.0**	6,160,441	100.0

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

In millions of RMB, except for percentages

Remaining Maturity	30 June 2019		31 December 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Overdue	**–**	**–**	–	–
Less than 3 months	**441,994**	**6.7**	361,988	5.9
3–12 months	**1,058,582**	**16.2**	991,780	16.1
1–5 years	**3,143,408**	**48.1**	3,074,102	49.9
More than 5 years	**1,893,167**	**29.0**	1,732,571	28.1
Total	**6,537,151**	**100.0**	6,160,441	100.0

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

In millions of RMB, except for percentages

Item	30 June 2019 Amount	30 June 2019 Percentage (%)	31 December 2018 Amount	31 December 2018 Percentage (%)
RMB	**6,221,248**	**95.2**	5,861,326	95.1
USD	**255,430**	**3.9**	239,670	3.9
Other foreign currencies	**60,473**	**0.9**	59,445	1.0
Total	**6,537,151**	**100.0**	6,160,441	100.0

Distribution of Financial Investments by Business Models and Characteristics of Contractual Cash Flows

In millions of RMB, except for percentages

Item	30 June 2019 Amount	30 June 2019 Percentage (%)	31 December 2018 Amount	31 December 2018 Percentage (%)
Financial assets at fair value through profit or loss	**697,392**	**9.7**	643,245	9.5
Debt investments at amortized cost	**4,672,580**	**65.1**	4,422,090	65.2
Other debts and other equity instruments investments at fair value through other comprehensive income	**1,812,053**	**25.2**	1,719,191	25.3
Subtotal	**7,182,025**	**100.0**	6,784,526	100.0
Accrued interest	**105,789**	**–**	100,549	–
Total	**7,287,814**	**–**	6,885,075	–

Investment in Financial Bonds

Financial bonds refer to securities issued by the policy banks, banks and other financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 30 June 2019, the balance of financial bonds held by the Bank was RMB2,605,494 million, including bonds of RMB1,455,073 million issued by the policy banks and bonds of RMB1,150,421 million issued by banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value as at 30 June 2019.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2017 policy bank bonds	32,395	3.85%	2027/1/6	–
2017 policy bank bonds	26,730	4.39%	2027/9/8	–
2017 policy bank bonds	26,630	3.83%	2024/1/6	–
2017 policy bank bonds	22,232	4.11%	2027/3/20	–
2017 policy bank bonds	19,490	4.13%	2022/4/21	–
2017 policy bank bonds	18,050	4.30%	2024/8/21	–
2017 policy bank bonds	17,950	3.70%	2022/1/6	–
2016 policy bank bonds	17,163	2.65%	2019/10/20	–
2015 policy bank bonds	17,010	3.97%	2025/2/27	–
2016 policy bank bonds	15,155	3.43%	2021/12/8	–

Note: 1. Allowance in this table refers to allowance for impairment losses in stage II and stage III, not including allowance for impairment losses in stage I.

Liabilities

At 30 June 2019, the total liabilities increased by RMB1,302,334 million, or 6.2% compared to the end of the previous year to RMB22,237,018 million. In particular, deposits from customers increased by RMB1,182,884 million, or 6.8%; deposits and placements from banks and other financial institutions increased by RMB172,670 million, or 11.9%, primarily due to the increase in settlement deposits from banks and other financial institutions; financial assets sold under repurchase agreements decreased by RMB105,844 million, or 67.4%, which was primarily due to the decrease in the debt securities sold under repurchase agreements; debt securities issued increased by RMB131,713 million, or 16.9%, which was primarily due to the issuance of RMB120 billion of tier-2 capital bonds in the first half of the year; financial liabilities at fair value through profit or loss decreased by RMB50,595 million, or 17.7%, which was primarily due to the decreased principal guaranteed wealth management products.

Key Items of Liabilities

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	**18,529,174**	**83.3**	17,346,290	82.9
Deposits and placements from banks and other financial institutions	**1,622,533**	**7.3**	1,449,863	6.9
Financial assets sold under repurchase agreements	**51,257**	**0.2**	157,101	0.8
Debt securities issued	**912,386**	**4.1**	780,673	3.7
Financial liabilities at fair value through profit or loss	**235,708**	**1.1**	286,303	1.4
Other liabilities	**885,960**	**4.0**	914,454	4.3
Total liabilities	**22,237,018**	**100.0**	20,934,684	100.0

Deposits from customers

At 30 June 2019, the balance of deposits from customers increased by RMB1,182,884 million, or 6.8%, compared to the end of the previous year to RMB18,529,174 million. In terms of customer structure, the proportion of retail deposits remained almost the same compared with the end of the previous year. In terms of maturity of deposits, the proportion of demand deposits decreased by 0.5 percentage point compared to the end of the previous year to 57.7%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	**18,220,479**	**99.5**	17,072,198	99.6
Corporate deposits	**6,926,330**	**37.8**	6,559,082	38.3
Time	**1,943,541**	**10.6**	1,889,911	11.0
Demand	**4,982,789**	**27.2**	4,669,171	27.3
Retail deposits	**10,446,864**	**57.1**	9,791,974	57.1
Time	**4,870,729**	**26.7**	4,473,942	26.1
Demand	**5,576,135**	**30.4**	5,318,032	31.0
Other deposits[1]	**847,285**	**4.6**	721,142	4.2
Overseas and others	**94,382**	**0.5**	73,448	0.4
Subtotal	**18,314,861**	**100.0**	17,145,646	100.0
Accrued interest	**214,313**	**–**	200,644	–
Total	**18,529,174**	**–**	17,346,290	–

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

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Demand	**11,188,774**	**61.1**	10,561,889	61.6
Less than 3 months	**1,399,582**	**7.6**	1,744,274	10.2
3–12 months	**3,170,362**	**17.3**	2,629,576	15.3
1–5 years	**2,555,989**	**14.0**	2,209,312	12.9
More than 5 years	**154**	**–**	595	–
Subtotal	**18,314,861**	**100.0**	17,145,646	100.0
Accrued interest	**214,313**	**–**	200,644	–
Total	**18,529,174**	**–**	17,346,290	–

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**78,931**	**0.4**	73,421	0.4
Yangtze River Delta	**4,212,772**	**23.0**	3,898,571	22.7
Pearl River Delta	**2,565,610**	**14.0**	2,366,330	13.8
Bohai Rim	**3,221,628**	**17.6**	3,016,435	17.6
Central China	**3,137,436**	**17.1**	2,945,676	17.2
Northeastern China	**877,088**	**4.8**	837,735	4.9
Western China	**4,127,014**	**22.6**	3,934,030	23.0
Overseas and others	**94,382**	**0.5**	73,448	0.4
Subtotal	**18,314,861**	**100.0**	17,145,646	100.0
Accrued interest	**214,313**	**–**	200,644	–
Total	**18,529,174**	**–**	17,346,290	–

Shareholders' Equity

At 30 June 2019, the shareholders' equity amounted to RMB1,738,135 million, comprising ordinary shares of RMB349,983 million, preference shares of RMB79,899 million, capital reserve of RMB173,556 million, investment revaluation reserve of RMB22,829 million, surplus reserve of RMB154,298 million, general reserve of RMB277,080 million and retained earnings of RMB673,396 million. Net assets per share were RMB4.72, representing an increase of RMB0.18 compared to the end of the previous year.

Composition of Shareholders' Equity

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	**349,983**	**20.1**	349,983	20.9
Preference shares	**79,899**	**4.6**	79,899	4.8
Capital reserve	**173,556**	**10.0**	173,556	10.4
Investment revaluation reserve	**22,829**	**1.3**	18,992	1.0
Surplus reserve	**154,298**	**8.9**	154,257	9.2
General reserve	**277,080**	**15.9**	239,190	14.3
Retained earnings	**673,396**	**38.8**	652,944	39.0
Foreign currency translation reserve	**1,626**	**0.1**	1,473	0.1
Non-controlling interests	**5,468**	**0.3**	4,493	0.3
Total	**1,738,135**	**100.0**	1,674,787	100.0

Off-balance Sheet Items

The off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. The Bank enters into derivative transactions related to exchange rates, interest rates and precious metals for the purposes of trading, assets and liabilities management and business on behalf of customers. The contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of the off-balance sheet items and comprised of loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loan commitments	**929,258**	**42.1**	906,782	45.1
Bank acceptances	**311,917**	**14.2**	242,489	12.1
Guarantees and letters of guarantee	**213,528**	**9.7**	191,250	9.5
Letters of credit	**147,640**	**6.7**	131,414	6.5
Credit card commitments	**602,647**	**27.3**	538,870	26.8
Total	**2,204,990**	**100.0**	2,010,805	100.0

Other Financial Information

Changes in Accounting Policies

The Bank has adopted IFRS 16 — Leases as issued by International Accounting Standards Board (IASB) with the transition date of 1 January 2019. The implementation of the new lease standards has no material impact on the Bank.

Differences between the Condensed Consolidated Financial Statements prepared under IFRSs and those prepared in accordance with CASs

There were no differences between the net profit or shareholders' equity in the Condensed Consolidated Interim Financial Statements prepared under IFRSs and the corresponding figures prepared in accordance with CASs of the Bank.

Business Review

Corporate Banking

During the reporting period, adhering to customer-centered and innovation principles, we sped up the digital transformation in the corporate banking business leveraging group advantages. At the end of June 2019, the balance of the domestic corporate deposits amounted to RMB6,926,330 million, representing an increase of RMB367,248 million over the end of the previous year. The balance of the domestic corporate loans and discounted bills amounted to RMB7,437,944 million, representing an increase of RMB579,600 million over the end of the previous year. 13,576 projects were included in our major marketing projects pool, up by 2,350 projects as compared to the end of the previous year. As at the end of June 2019, we had 5.7101 million corporate banking customers, representing an increase of 471.1 thousand compared to the end of the previous year, of which 147.7 thousand customers had outstanding loan balances, representing an increase of 65.2 thousand customers compared to the end of the previous year.

➢ We provided services to support national strategies and key areas of the real economy. We supported the "Belt and Road Initiative" and served strategies for coordinated development in major regions such as the coordinated development of Beijing-Tianjin-Hebei Region, Yangtze Economic Belt and Guangdong-Hong Kong-Macao Greater Bay Area, with new loans of RMB575,956 million for the first half of the year. To support mixed ownership reform of state-owned enterprises, we established cooperations with 757 key state-owned enterprise customers which are under mixed ownership reform.

➢ We provided services for emerging drivers for the economic growth. We adjusted our credit structure to support manufacturing and industrial transformation and upgrade as well as further expand financial services related to consumption and people's livelihood. At the end of June 2019, the balance of loans for strategic emerging industries amounted to RMB520,627 million[1]. The balance of loans for happiness industries amounted to RMB169,239 million.

➢ We supported the healthy development of private enterprises. The Bank provided targeted financial support for quality private enterprises by increasing credit, strengthening marketing, innovating financial services, and enhancing bank-enterprise exchanges. At the end of June 2019, private enterprises with outstanding loan balances reached 131.2 thousand, representing an increase of 63.5 thousand compared to the end of the previous year. The loan balance stood at RMB1,564,729 million, representing an increase of RMB156,165 million compared to the end of the previous year.

➢ We accelerated FinTech innovation and digital transformation. We launched and promoted a smart credit management platform, which realized "one portrait for one customer" for more than 5.7 million corporate customers across the Bank, providing technical support for refined customer management. We kept promoting "online, chained and scene-sensitive" corporate business products. By diversifying online channels, we actively carried out the chain marketing and the construction of featured financial scenes. In the first half of 2019, our active customers for corporate internet banking and corporate mobile banking increased by 463.1 thousand and 335.1 thousand, respectively.

1 *According to the requirements of the CBIRC, the Bank adjusted the statistics calculation method of loans for strategic emerging industries.*

Institutional Banking

We strengthened direct operation and marketing function by the Head Office and tier-1 branches. We adopted new marketing approaches through establishing "customer circles, customer chains and product pools" and new integrated service model of "intelligence + technologies + resources". We expedited the "smart customers" for institutional banking. As at the end of June 2019, we had 428.6 thousand institutional customers and 587.5 thousand accounts, respectively.

- We built "smart customers" for institutional banking. We introduced smart government service and pioneered its launching on the state government service platform, and sped up the offering of smart services for school, hospital and fiscal administration.

- In terms of financial services to the government, we steadily promoted the business on centralised receipt and payment for treasuries at different level of governments. We continuously enlarged our coverages over provinces regarding qualifications on financial agency and electronic social security card issuance and provided services.

- In terms of services with respect to people's livelihood, we actively promoted marketing in connection with projects specialised for schools and hospitals.

- In terms of services to bancassurance, we continued to rank first among the four major commercial banks in terms of income from bancassurance business, with the proportion of medium-and long-term guaranteed products kept increasing.

- In terms of services to financial institutions, we had 41.8 million contracted customers for third-party depositary services and promoted the coordinated development of inter-bank deposit in terms of volume and price.

Transaction Banking

We continued to promote the construction of a transaction banking system, which was based on our accounts and payment settlement and mainly developed cash management business and supply chain financing. By expediting the marketing in key financial scenes for corporate customers and continuously strengthening the innovation of key products, we promoted the digital transformation of transaction banking.

- We further implemented the project of "increasing accounts and raising quality" targeting at corporate accounts and developed corporate customers through online channels and in financial scenes, resulting in a stable growth in the amount of corporate accounts. As at the end of June 2019, our corporate RMB-denominated settlement accounts reached 7.3103 million[1].

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1 *The Bank had changed the criteria for corporate RMB-denominated settlement accounts, which includes corporate RMB-denominated settlement accounts in normal status during the reporting period and dormant accounts within 5 years.*

- We promoted the digital transformation of transaction banking business. We implemented the development strategy of "Internet + transaction + financing". The construction of financial scenes related to industrial chains was promoted and the marketing of corporate customers in consumption scenes was accelerated. We innovatively developed inter-bank guaranteed payment and "Gongxin Bao" (agency payment of salaries to migrant workers), actively promoted online bill pool discounting, and accelerated the iterative innovation of products featuring easy collection and payment. As at the end of June 2019, we had 2.4655 million active transaction banking customers.

Investment Banking

Adhering to the principle of serving the real economy, we provided the "financing + talents" investment banking solutions to meet diversified financing needs of customers including bond financing, M&A and reorganization as well as asset securitization. We streamlined the service procedures and improved innovation ability, strengthening market competitiveness of our investment banking business. In the first half of 2019, we achieved an income of RMB6,286 million from the investment banking business, representing an increase of 41.07% as compared to the corresponding period of the previous year.

- We supported national key strategies. We established regional synergy centers to serve key areas such as Guangdong-Hong Kong-Macao Greater Bay Area. We supported the development of private enterprises with services of bond financing instruments, debt financing plans and stock participating M&A.

- We strengthened our market competitiveness. In the first half of 2019, we underwrote debt financing instruments at an amount of RMB184.6 billion, up by 32.6% year on year, ranking first among large four commercial banks. We maintained our leading positions in the market with balances both of the syndicated loans of more than RMB1 trillion and M&A loans at more than RMB100 billion. Asset securitization business witnessed relatively rapid growth. We launched such first projects in the market including the first green financial leasing asset securitization project and the first credit asset securitization project in the Northeast China. We implemented a number of cross-border projects with great market influence, including cross-border M&A, syndicated loans, Panda Bonds, etc.

- Our market influence continued to expand. We were awarded "Market Contribution Award in Asset-backed Securities" by the National Interbank Funding Center, "Endeavor Award" in Debt Financing Plans by the Beijing Financial Assets Exchange and "Phecda Award in Investment Banking of Full-featured Bank" by the Securities Times.

Retail Banking

In the first half of 2019, following the customer-oriented philosophy, we fully promoted digital transformation of retail banking business in respect of product, marketing and channel, which were driven by FinTech and business innovation, focusing on building the Bank into a preferred smart retail bank for customers.

➢ Efforts were made to create a retail customer information center comprising a retail customer information mart and retail customer profiles and a work platform for analysing retail data was put into operation to conduct digital targeted marketing. In the first half of the year, we served 0.25 billion customers, and sold financial products amounting to RMB276 billion by digital targeted marketing, with product coverage increased steadily.

➢ An open banking product system was built to realize full integration of financial services into various kinds of scenes. We actively adhered financial services to customers, including opening of tier-II and tier-III accounts, payment, credit card and loan on the national government platforms and in various kinds of scenes of life. Transformations of product research and development model and operation model were promoted by launching a group of competitive online products including Yinliduo, fast e-loan for business and Lefenyi.

➢ The synergy between the corporate and retail business was enhanced. We strengthened development of source businesses such as social security insurance, public finance, provident fund and public utility payment, optimized the payroll service system, sped up issuance and promotion of electronic social security cards, and actively seized the ETC market share, to expand our market influence continuously.

➢ Retail banking procedures were further optimized. We established a retail banking procedure optimization mechanism named "the Voice of Customers" and endeavored to build one-stop transaction experience for customers featuring "one-time visit, one-time code entering and one-time signature".

Retail Loans

We further promoted digital transformation of retail loan business and continuously improved our service ability for retail loans. At the end of June 2019, the balance of retail loans amounted to RMB5,089,649 million, representing an increase of 9.1% over the end of the previous year.

➢ We strictly implemented regulatory requirements and kept optimizing customer structure of retail residential mortgage loans. At the end of June 2019, the balance of retail residential mortgage loans amounted to RMB3,922,766 million, representing an increase of RMB262,192 million over the end of the previous year.

➢ We promoted the project of "Customers Expansion" in respect of personal consumption loans leveraging big data. Focusing on scenes related to home improvement and automobile and acquiring customers through online channels, we promoted scene-based layout for personal consumption loans. In the first half of 2019, the personal consumption loans increased by RMB7,561 million, ranking first among the four major commercial banks.

➢ We exerted ourselves to build a new model of "digital financial services for individuals, private enterprises and micro and small enterprises". We cooperated with Yichang Municipal Government of Hubei Province to incorporate our personal loan business into the government platform, on which citizens could apply for "e-loan for startup" online through the "Citizens e-Home". An innovative product named "Personal Mortgage e-Loan" was started trial operation of the first phase in Xiamen Branch.

Retail Deposits

➢ In the first half of 2019, adhering to the customer-oriented principle, we built "ABC Retail Deposit" product series, optimized product functions, and improved our digital marketing capability. Our retail deposits realized steady growth.

➢ At the end of June 2019, the balance of domestic retail deposits reached RMB10,446,864 million, representing an increase of RMB654,890 million over the end of the previous year.

Bank Card Business

➢ We accelerated the application of FinTech, continued to improve flow operation and operation in various kinds of scenes, and improved customers' experience of using cards. We enriched scenes of using card, promoted functions as Quick Pass and quick e-payment of debit cards and worked with UnionPay to conduct several consumption promotions for personal accounts, endeavoring to improve transaction activeness and brand influence of our debit cards. At the end of June 2019, we cumulatively issued 1,019 million debit cards, ranking first among the four major commercial banks, representing an increase of 31 million over the end of the previous year.

➢ We actively developed young customers by launching new products such as Center-Position Debut Card and Dream-sparking Xiong'an Card. We improved product series of consumption credit and customers' experience, developed market segments including car purchase, home improvement and education, and introduced a popular product named "Lefenyi". We accelerated the development of credit cards in mobile banking channel and enriching scenes of using card. We achieved Internet-based issuance of ETC credit cards, point-supported payment on Ctrip APP and upgrading and optimization of the discount center platform. As at the end of June 2019, the number of credit cards cumulatively issued reached 114 million, and the transaction volume for credit cards in the first half of the year amounted to RMB959.9 billion.

Debit Cards and Credit Cards Issued and Transaction Volume

Item	30 June 2019	31 December 2018	Growth rate (%)
Number of debit cards issued (unit: 10,000)	**101,904.57**	98,829.83	3.11%
Number of credit cards issued (unit: 10,000)	**11,372.44**	10,282.06	10.6%

	Jan–June 2019	Jan–June 2018	Growth rate (%)
Transaction volume for debit cards (RMB100 million)[1]	**116,156.17**	104,867.79	10.76%
Transaction volume for credit cards (RMB100 million)	**9,598.51**	8,422.47	13.96%

Note: 1. The Bank adjusted the statistics calculation methods on transaction volume for debit cards, including online and offline transaction volume for debit cards.

Private Banking Business

As at the end of June 2019, the number of private banking customers reached 118 thousand and the balance of assets under management amounted to RMB1,298.5 billion, representing an increase of 12 thousand and RMB175.1 billion, respectively, as compared with the end of the previous year.

➢ Leveraging the synergies, we launched exclusive products and services for private banking, such as deposits, loans, insurance and cross-border finance, to build a platform offering comprehensive products and services.

➢ Achieving a prudent operation of products, we rolled out new series of products including Tian Tian Ying, An Ying, He Ying, Bo Ying and Chuan Ying to comprehensively cater to customers' diversified demands including liquidity management, asset allocation and family wealth inheritance.

➢ Focusing on the ecosystem of family wealth inheritance, we promoted the scale-up development of the family trust business, and provided comprehensive solutions such as integrated services in relation to the release of restricted shares and legal and taxation consulting services.

➢ Optimizing the marketing system of private banking, we carried out series of events themed "Wealth and Wisdom of Private Banking", and proceeded to enhance our capabilities to serve customers, supported by professional marketing, event marketing and brand marketing.

Treasury Operations

The treasury operations of the Bank include money market activities and investment portfolio management activities. In the first half of 2019, on the condition of ensuring the bank-wide liquidity, we flexibly adjusted operation strategies. The investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- As a primary dealer in the open market, we proactively served for the dissemination of monetary policies, supported liquidity of small and medium-sized financial institutions, developed interbank business steadily, and maintained a proper and steady level of liquidity in the market.

- We reinforced research on monetary policies and forecast of market liquidity, expanded our financing channels by using various kinds of financial instruments, and improved efficiency of fund utilization on the condition of ensuring the bank-wide liquidity.

- In the first half of 2019, our RMB-denominated financing transactions amounted to RMB22,747.96 billion, up by 73.1% year on year, including RMB22,051.09 billion in lending and RMB696.87 billion in borrowing.

Investment Portfolio Management

At 30 June 2019, the Bank's financial investment amounted to RMB7,287,814 million, representing an increase of RMB402,739 million or 5.8% as compared to the end of the previous year.

Trading Activities

- We maintained leading positions among the peers in respect of both the bond market-making business and the bond trading business in the inter-bank market.

- In the first half of 2019, the yield of the domestic bond market fluctuated within a range. We flexibly adjusted the positions of our portfolios and trading activities achieved good performance.

Banking Book Activities

- In the first half of 2019, considering the comprehensive yield on bonds and market rate movements, we chose bonds whose types and maturities satisfied our risk appetite and increased investment in local government debts appropriately.

- To serve the real economy, we invested in industry bonds actively.

- We consistently and dynamically adjusted the structure of investment portfolios to reduce the risk of portfolios and increase their yields.

Asset Management

Wealth Management

- At the end of June 2019, the balance of the wealth management products in the Bank reached RMB1,511,781 million, which included personal wealth management products of RMB1,270,723 million and corporate wealth management products of RMB241,058 million. The size of net-worth wealth management products amounted to RMB478,181 million.

- During the reporting period, to comply with regulatory requirements, we pushed forward the transformation of asset management business. While we gradually reduced the size of wealth management products with expected yield, we developed new net-worth products. Signing contract online was launched and functions of wealth management product of "Constant Pay", including "7*24" hours redemption; credit card repayment and loan repayment were improved, which enhanced customer experience towards outstanding net-worth wealth management product.

- In July 2019, our wholly-owned subsidiary Agricultural Bank of China Wealth Management Co., Ltd. was approved to commence its operation officially.

Custody Service

- As at the end of June 2019, we had RMB9,855,748 million of assets under custody. In the first half of 2019, the commission income from custody service and other fiduciary services amounted to RMB2,250 million.

- Seizing opportunities arising from national major strategies and innovation development, we enhanced the marketing of key projects.

- The digital transformation was pushed forward steadily. We rolled out a new generation of custody operation platform and completed a project for product full lifecycle management, which further enhanced our online custody service level.

Pension

- At the end of June 2019, the pension funds under the Bank's custody amounted to RMB538,644 million, representing a growth of 9.5% as compared to the end of the previous year. The pension assets under entrusted management amounted to RMB47,088 million.

- We made efforts to develop the pension business by initiating the research on the third pillar of the pension model and actively expanding enterprise annuity fund projects. Great breakthrough was achieved in business related to professional annuity, as we obtained the qualification of trustee for professional annuity schemes in 18 provinces and cities as well as the qualification of custodian for professional annuity schemes in 17 provinces and cities.

Precious Metals

- We promoted the account-based precious metals business to satisfy investment needs of personal customers. We steadily developed the precious metal leasing business to serve companies in industrial chain.

- In the first half of 2019, 2,325.38 tons of gold and 26,490.66 tons of silver were traded for the Bank's own account as well as on behalf of customers, holding the leading positions in terms of market shares.

Treasury Transactions on Behalf of Customers

- In the first half of 2019, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD175.889 billion.

- In terms of the "Bond Connect", the transaction volume was over RMB120 billion, holding the leading market position. In terms of Zhaishibao, one of the Bank's counter bond businesses, we were one of the first to distribute local government bonds. We held the leading market position in terms of distribution volumes in local government bonds and bonds issued by China Development Bank, respectively.

- We won 12 awards, including the "Best Market Maker in 2018" and the "Best Spot Market Maker in 2018" by China Foreign Exchange Trade System.

Agency Distribution of Fund Products

- Deepening cooperation with outstanding fund companies and focusing on niches in the market, we rolled out several popular fund products to cater for customers' diversified and personalized needs.

- By hosting customer salons themed "Hundred Cities and Ten Thousand Families" and organizing a series of activities providing customers with consultancy services on funds they invested, we strengthened our professional marketing. Efforts were made to develop the brand of "Selective Fund", build our research and investment teams and improve services for customers.

- We constructed the fund business system and launched a new version of the module for fund products of smart mobile banking to improve customer experience.

- In the first half of 2019, fund products distributed by the Bank totaled RMB134.573 billion.

Agency Sales of PRC Government Bonds

- In the first half of 2019, as an agent to the PRC Government, we distributed 12 tranches of savings PRC government bonds with the actual sales amount of RMB31.775 billion, including eight tranches of savings PRC government bonds (in electronic form) of RMB20.317 billion and four tranches of savings PRC government bonds (in certificate form) of RMB11.458 billion.

Internet Finance

During the reporting period, we actively responded to the emerging conditions and challenges in the Bank 4.0 era. Focusing on coordinated support for services and innovation-driven development, we consolidated the foundation of online platforms, accelerated the construction of scene-based finance and the construction of open banking, continually optimized customer experience, enlarged customer base and increased platform traffic, so as to consolidate a foundation for our digital transformation.

Smart Mobile Banking

Implementing the strategy of "Leading Position in Mobile Banking Market", we accelerated the iteration of the mobile banking and introduced intelligent engines. We launched the new version of Mobile Banking featuring rich smart applications and better interactive experience.

➢ Diversified product functions. For services targeted at public investors, we launched the product of "Yinliduo". Mid- and high-end service zones for fund investment, wealth management and private banking were set up. For professional investment customers, we provided service for trading of foreign exchange, precious metals and commodities.

➢ Optimized customer experience. Optical Character recognition (OCR), face recognition and other technologies were applied to achieve convenient and real-time account opening, and the columns such as transferring, wealth management, insurance and loan inquiry were updated.

➢ Supplied smart services. "ABC Smart Financing" service was rolled out, characterized with automatic allocation of financing portfolio products and T+0 full-dimensional asset-liability profiles. A smart engine for mobile banking commenced operation with a function of behavioral data collecting and personalized recommendation based on the type and location of a customer, dynamically displaying distinctive interfaces for varied individuals and offering localized services based on an exclusive interface for varied provinces.

➢ We built the brand of "Thursday, Mobile Banking Day" to boost sales. Blockbuster products including exclusive wealth management, bonds and certificates of deposit were released every Thursday, which stimulated the sales of key products.

➢ As at the end of June 2019, the number of personal mobile banking users reached 284 million, up by 10.5% as compared to the end of the previous year. In the first half of 2019, the number of transactions was 7.86 billion, representing a year-on-year increase of 27.8%, and the transaction volume amounted to RMB28.55 trillion, representing a year-on-year increase of 26.2%.

Corporate Service Platform

Benchmarking against the standards of unified platform, extensive products, nice experience and service positioning, we upgraded our unified corporate financial service platform in an effort to provide one-stop and steward-type services.

➢ The foundation of the platform was optimized. We separated the application layer from the service layer of the platform to realize modular and defined services.

➢ The business processes were optimized. OCR was used to automatically identify a customer's ID information and the data of industrial and commercial administrations was introduced as reference, that customers were free to fill in forms to open accounts. Further, The Customer Manager App was also available to realize online and offline interaction and thus enabling a more intelligent account opening process.

➢ The functions of products were enhanced. Functions related to multi-level account books, batch agency payment, payment, notes and bonds were upgraded.

➢ As at the end of June 2019, the number of users of the corporate banking service platform reached 6.76 million, up by 9.0% compared to the end of the previous year. The transaction volume for the first half of 2019 was RMB83.05 trillion. The total number of corporate mobile banking users reached 1.38 million, up by 48.4% compared to the end of the previous year. The transaction volume for the first half of 2019 was RMB400.7 billion, which was 11.6 times of that for the corresponding period of the previous year.

Online Credit

We built the product system of our online credit business. Based on the three business lines of "retail, small and micro, County Areas" and the supply chain financing sector, we innovated online credit products, and accelerated to build distributing channels for them.

➢ Leveraging the online platforms as props, we improved a series of products such as "Personal E-loan", "Micro E-loan", Huinong E-loan" and "Industrial E-loan" in mobile banking. We advanced the optimization of loan service process, in particular, such products as "Industrial E-loan•Supply Chain Quick Loan" and "Huinong E-loan•Rural Households Loan" were accessed to the personal Internet banking while the functions of "Micro E-loan•Internet Loan" were embedded in the corporate banking platform.

➢ At the end of June 2019, the balance of the Bank's online credit reached RMB343.6 billion.

Open Banking and Scene-based Finance

During the reporting period, we persistently optimized various types of scene-based services, accelerated the R&D and launching of products for open banking platforms, and built "ABC Wisdom+", a scene-based finance brand.

➢ We completed the top-level design of open banking and scene-based finance, pressed full steam ahead with the construction of open banking platforms and product matrix, commenced the formulation of relevant systems and standards, and pinned down scene construction patterns and innovation direction.

- We commenced sales and marketing of scene-based finance. Targeting at the three types of scenes, which are, government services and people's livelihood, consumption and retail sales, and industrial chains, we accelerated the development of scene-based finance business. We promoted scenes for government services and people's livelihood, we asserted the commitment to participating in serving the construction of smart cities, seized the opportunities to access scenes for national government services, and initiated products for smart government services. We dedicated to expand scenes for consumption and retail sales, and exerted great effort to expand key scenes such as smart property management, smart house, smart canteen, and smart travel thriving. We optimized the scenes for industrial chains, we formulated a plan to build scenes related to Huinong industrial circle and advanced the key program for "Huinong E-tong — Further Improvement of Industrial Chains". Moreover, we entered into a cooperation agreement on digital ecosystem with Tencent to extensively participate in building smart cities.

- We strengthened cooperation with FinTech companies and Internet platforms, explored paths toward and models of construction and promotion of scene-based finance for open banking, and endeavored to generate comprehensive industrial solutions.

- In the first half of 2019, the number of projects based on Internet scenes reached 2,634.

Inclusive Finance

In the first half of 2019, we promoted the digital transformation of inclusive finance in line with the idea of "Internet-based, Data-based, Intelligent and Open". At the end of June 2019, the balance of inclusive loans to small and micro enterprises reached RMB510,917 million, representing an increase of RMB136,489 million or 36.45% compared to the end of the previous year, which was higher than the overall growth rate of loans of the Bank by 27.65 percentage points. The number of customers with outstanding loans was 946.9 thousand, representing an increase of 223.7 thousand compared to the end of the previous year. The balance and the ratio of non-performing loans both recorded a drop, while NPL ratio was controlled within the range of regulatory tolerance. The annualized yield of loans cumulatively granted reached was 4.68%, which was maintained at a reasonable level. We met the CBIRC's requirement of "two growth objects and two control objects" by phases and the requirement of 30% increase in loan balance proposed in *2019 Report on the Work of the Government* by the State Council. The inclusive loans in compliance with the requirement of the PBOC for lowering depository reserve ratio increased by RMB193,520 million, compared to the end of the previous year, accounting for 22.11% of new loans in RMB of the Bank, which was higher than the second level stipulated by the PBOC for targeted deduction of depository reserve ratio.

- We built a digital product system of "Micro E-loan" and stepped up the innovation focusing on the small-sum internet financing product "Micro Quick Loan", the intelligent financing product "Quick Loan" and the online supply chain financing product "Supply Chain Quick Loan".

- We built a bank-government comovement scene, and accessed an online pre-filling in form system for account opening of companies to the governmental service platform of China, thereby becoming the first financial institution providing online financial service on such platform.

- We set up differentiate credit policy system. Policies applied to qualified small and micro enterprises differed in such aspects as customer classification and management and control on industry credit limit. Power to examine and approve loans to small and micro enterprises was delegated to qualified branches.

- ➢ The Head Office established the business structure of "Inclusive Banking Division + 8 Back Office Centers". 37 tier-1 branches (branches directly managed by the Head Office) and major tier-2 branches established their Inclusive Banking Divisions to form the inclusive finance service system supported by "Sannong + Small and Micro Enterprises" with our own feature. For details of the County Area Banking Division and County Area Banking Business, please refer to "Discussion and Analysis — County Area Banking Business".

- ➢ By leveraging the main role of specialized institutions in small and micro enterprise banking services, 799 specialized institutions were established in tier-2 branches and sub-branches and dynamically adjusted. 100 sub-branches were entitled "Demonstration Outlets for Financial Services to Small and Micro Enterprise" in hubs of small and micro enterprises to enhance our capabilities to provide professional and tailored services.

Green Finance

Green Credit

During the reporting period, we improved systems and process management to speed up the development of green credit business, making a contribution to build "A Beautiful China" and implement the national strategy of Prevent and Control Pollution. At the end of June 2019, the balance of loans in green credit business reached RMB1,128,386 million.

- ➢ We strengthened polices to guide the green credit. Under guidance of the annual credit policy, credit funds were navigated into green projects and such industries as energy conservation and environmental protection, clean production and clean energy.

- ➢ Regional credit products were innovated. In line with construction of the pilot zone for reform and innovations of green finance in Zhejiang Province, we supported Huzhou Branch in Zhejiang Province to launch an exclusive financial service product "Green Finance Loan to Manufacturing Industry", to strengthen our ability to serve regional economies.

- ➢ As among the first batch of domestic financial institutions to sign the *Green Investment Principles for the Belt and Road Initiatives*, we made full use of green financial instruments to raise funds for green projects and promote green supply chain management.

- ➢ Environmental and social risk management was enhanced. We applied the requirements for environmental and social risk management to the procedures of credit business. We implemented differentiated and whole-process control and strictly implemented the "One Vote for Veto" with respect to environmental and social risks.

Green Investment Banking

- ➢ We introduced the green concept into all types of products and services of the investment banking business and strived to develop into "a leading bank in green investment banking".

- ➢ In the first half of 2019, we financed the development of customers from such green industries. We provided over RMB50 billion financial supports to industries such as clean energy, transportation, hydro power, environmental governance and sewage treatment through underwriting bonds, asset-backed securities, syndicated loans and M&A loans.

Cross-border Financial Service

During the reporting period, in active response to "the Belt and Road Initiative" and the national strategies of "Going Global" of enterprises and RMB internationalization, we optimized the comprehensive cross-border financial service system and promoted product innovation and transformation. At the end of June 2019, the total assets and net profit of our overseas branches and subsidiaries reached USD142 billion and USD320 million, respectively.

➢ We continued to improve the network layout in major international and regional financial centers as well as major countries and regions maintaining close ties with China. As at the end of June 2019, we established 22 overseas institutions and one joint venture bank in 17 countries and regions.

➢ The international settlement and trade financing business achieved steady development, and cross-border financial service capability and market competitiveness were further enhanced. In the first half of 2019, the total volume of international trade financing (including financing under domestic letter of credit) conducted by domestic branches of the Bank reached USD59.82 billion. A volume of international settlement of USD588.707 billion was completed, representing a year-on-year increase of 18.3%.

➢ The cross-border RMB business was vigorously developed. In the first half of 2019, the cross-border RMB settlement amounted to RMB624.747 billion, representing a year-on-year increase of 12.0%. Dubai Branch as RMB business clearing bank for the United Arab Emirates had seen rapid development in RMB clearing business. The interconnected RMB businesses in cross-border financial markets realized fast growth that "Bond Connect" business realized a year-on-year increase of 319.72%.

Integrated Operation

We have established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance and debt-to-equity swap business, and newly established an asset management subsidiary to continuously promote the implementation of integrated operation strategy. In the first half of 2019, our five subsidiaries of integrated operation focused on their principal businesses, delved into respective professional and operated prudently centering on the Group's overall development strategy. The synergies arising from our integrated operation gradually emerged and our market competitiveness was steadily enhanced. At the end of June 2019, total assets of our five subsidiaries of integrated operation amounted to RMB219.49 billion, representing an increase of RMB15,051 million as compared to the end of the previous year and the net profit for the first half of 2019 amounted to RMB3,163 million.

➢ ABC-CA Fund Management Co., Ltd. managed 142 funds and the total assets under its management amounted to RMB507.8 billion. In the first half of the year, all the public funds under management achieved earnings.

➢ ABC International Holdings Limited continued to hold its leading position among its peers in terms of the indicator of core investment banking business. As at the end of June 2019, it ranked fifth among Chinese and foreign investment banks in Hong Kong and first among investment banks owned by the four major commercial banks in terms of new share underwriting. In the first half of the year, it completed 14 listing sponsorship and underwriting projects and 20 bond issuance projects, representing a year-on-year increase of 55.6% and 42.9% in number, respectively.

- ABC Financial Leasing Co., Ltd. focused on its principal leasing business with its quality leasing assets steadily increased. At the end of June 2019, the balance of its leasing assets amounted to RMB45.732 billion, up by 13.8% compared to the end of the previous year. It innovated business models in aspects of green travel and energy conservation and emission reduction. It completed the initial public offering of green bonds of RMB3 billion to support the development of green leasing.

- ABC Life Insurance Co., Ltd. achieved a new breakthrough in premium income. Total premium income in the first half of the year was RMB18.967 billion, a year-on-year increase of 32.0%. The business structure continued to be optimized. In the first half of the year, the income from regularly-paid premium was RMB6.760 billion, representing a year-on-year increase of 6.0%, and the percentage of new issuance regular premiums income reached 87.62%, representing a year-on-year increase of 8 percentage points.

- ABC Financial Asset Investment Co., Ltd. actively promoted the completion and implementation of market-based debt-to-equity swap projects. At the end of June 2019, its total assets reached RMB43,741 million, an increase of 30.8% over the end of the previous year. In the first half of 2019, the market-based debt-to-equity swap projects completed amounted to RMB23,334 million, remaining the leading position among peers.

Distribution Channels

Offline channels

During the reporting period, we continued to promote the transformation of branch outlets, which focused on "three reductions, two increases and one change" (reductions in outlet area, counter clerks and cost, increases of marketing capacity and risk control capability, and change of operational system and procedures). Aiming to enhance the efficiency of branch outlets, we comprehensively improved the marketing service capability, risk management and control capability, value creation ability and market competitiveness of the branch outlets.

- We promoted "hard transformation" of branch outlets by "three reductions" in an orderly manner. We constantly optimized layout and function zones of branch outlets and transformed them towards more intelligent ones with less labor forces. As at the end of June 2019, a total of 2,728 branch outlets completed "hard transformation", which helped reduce 14,000 counters of cash services and transferred. 14,600 counter clerks to the posts of marketing services.

- We promoted "soft transformation" of branch outlets by "two increases". Focusing on "financial ecosystem construction", we built comprehensive financial service scenes and a "life + finance" multi-service platform through "smart shelf", forming a new marketing and service mode of branch outlets with integrated online and offline channels. As at the end of June 2019, all the branch outlets completed "soft transformation", with enhanced capabilities of marketing and acquiring customers and steadily improved operational efficiency.

- We continued to optimize operational mode by "one change". We completed comprehensive transformation of counter business, with coverage rate of electronic certificates, seals and signatures reaching 99%. We comprehensively promoted a new generation of intelligent service platform named super counter[1] and continuously expanded its coverage. At the end of June 2019, 22 thousand branch outlets had super counters and 48 thousand machines were in place. The super counter had 305 products and functions including bank card, wealth management, fund, cash business, bill business and account opening and contract signing for corporate customers, leading our peers in terms of business scope. 94% of our counter activities were replaced by super counters. Our abilities of intelligent operation, integrated operation and operation through integrated online and offline channels were further enhanced.

Online Channels

During the reporting period, we conducted 28.385 billion financial transactions through electronic channels, representing a year-on-year increase of 9.96%, and the transaction volume reached RMB506.48 trillion, representing a year-on-year increase of 2.56%.

Mobile Banking

As at the end of June 2019, the total number of personal mobile banking users reached 284 million, up by 10.5% as compared to the end of the previous year, and transaction volume in the first half of 2019 was RMB28.55 trillion, representing a year-on-year increase of 26.2%. The total number of corporate mobile banking users reached 1.38 million up by 48.4% as compared to the end of the previous year, and the cumulative transaction volume in the first half of 2019 was RMB400.7 billion in the first half of 2019, 11.6 times of that in the corresponding period of the previous year.

Internet Banking

As at the end of June 2019, the number of registered customers in personal internet banking was 290 million, representing an increase of 9.28% as compared to the end of the previous year, and transaction volume in the first half of 2019 reached RMB16.54 trillion. The number of customers of the corporate financial service platform reached 6.76 million, representing an increase of 9.0% as compared to the end of the previous year, and the transaction volume in the first half of 2019 reached RMB83.05 trillion.

Telephone Banking

We vigorously promoted the intelligent transformation of customer service mode. We launched the intelligent call service platform to build an intelligent voice navigation system to continuously improve customer experience. In the first half of 2019, a total of 173 million calls were received by our telephone banking from customers, among which 49 million calls were transferred to the customer service center and 45 million calls were handled by customer service staff, with the completion rate and satisfaction rate of 90.51% and 99.59%, respectively.

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1 *The super counter is an intelligent customer service channel and platform independently developed by the Bank. It consists of "software" + "hardware" + "back office", with "software" as the core, i.e. the application that integrates the business processes and operating modes of the bank. The super counter realized a business operation and risk control mode of "customer self-service, separation of front and back office, and automatic triggering of account process".*

Self-service Banking

We promoted an equipment management system and an intelligent service system for branch outlets and built an intelligent terminal application store to push forward unified, intelligent and comprehensive management of equipment in our branch outlets. As at the end of June 2019, we had 91.2 thousand sets of cash-related self-service facilities and 39.7 thousand sets of self-service terminals, and the daily average transaction volume was 17.94 million.

Information Technology

We accelerated innovation in FinTech and endeavored to build a new generation of digital IT platform to provide strong technical support for digital transformation, aiming to build ourselves into a smart bank with first-class customer experience.

Promote Innovation in FinTech Comprehensively

➢ Regarding application of mobile internet technology, we launched an intelligent mobile banking service version 2.0, which uploaded fund, wealth management, private banking and other special services as well as "ABC Smart Financing" service, and launched applications including convenient and real-time account opening, real-time views for balance sheet of customers, unconscious pay for offline merchants, so as to continuously improve our service capacity. We launched the "Taxation E-loan" (an online bank-tax small-amount network financing product) and "Factoring E-financing" (an online factoring financing product).

➢ Regarding application of artificial intelligence technology, our Finance Brain Platform was equipped with the function for classifying types of vouchers, which could identify 35 types of bills with an accuracy rate of 99.7%. The merchant service public account and credit management platform had accessed to Finance Brain OCR identification service, with an accuracy rate of up to 98%. We optimized our self-service voice interaction and navigation system with an accuracy rate of 93.4%.

➢ Regarding application of big data technology, we completed upgrading & expansion of the big data platform to comprehensively improve its computing performance. We accelerated the introduction & integration of internal and external data resources, and promoted centralized access of external data related to industrial and commercial, judicial, public opinion information. We comprehensively sorted out four types of data assets, including basic data, indicator report, mining model and data label, and continued to promote the construction of service platforms of artificial intelligence, business intelligence, manager cockpit, so as to build a middle-end data center.

➢ Regarding application of cloud computing technology, we completed the joint innovation project of constructing a new generation of infrastructure for the cloud platform and verified the feasibility of key technologies related to distributed storage, software-defined network. We promoted the application and construction of basic cloud and built two sets of cloud platform environments in the production and operation, namely development test cloud and production cloud.

➢ Regarding application of block chain technology, we completed the first phase of R&D of the block chain-based project of online receivables management platform, and achieved functions including supplier access, signing contract, transferring and financing.

- Regarding application of cyber security technology, we made efforts to improve the cyber security technical protection system continuously. We completed the upgrading or promotion of tools including a basic sensor platform for trend of cyber security, a security monitoring system for internet application, an internet application firewall, a new generation of terminal security & management system, to comprehensively improve our protection capabilities for cyber security.

Improve Technological Level of Our Operation and Management

- We promoted the construction of key projects related to online credit, smart city and open banking, to promote digital transformation in products, scenes, data, risk control and channels.

- We improved intelligent level for prevention and control of cases continuously. We promoted the construction of an intelligent anti-fraud platform for enterprises, and launched the platform for prevention, early warning and monitoring of cases in stages, initially building a prevention and control system covering the whole process from collection information to disposing of cases. We facilitated the promotion of the overseas anti-money laundering monitoring & management system in Singapore, Tokyo and other overseas institutions.

- We completed the project of smart credit 1.0, launching six main applications, namely smart identification, smart information collection, decision-making center, smart portrait, smart portal and smart retrieval, employed face recognition in key operation processes, which greatly reduced time to generate financial statements with an identification accuracy rate higher than 85%.

- We popularized the super counter's function of opening accounts for corporate customers, realizing online appointment for opening accounts, remote verification via video, online due diligence, interconnected products signing as well as integration of online and offline processes, to effectively support intelligent transformation of the branch outlets.

Ensure the Safe Running of Information System

- We promoted the construction project of "two cities and three centers" in Beijing and Shanghai and delivered the computer facilities in Shanghai Free Trade Zone for use.

- We made great efforts to promote the reinforcement of important and sensitive systems to enhance high availability of the systems and automatic operation & maintenance level.

- We upgraded the structure of backbone network and adopted segment routing technology earlier than our rivals, which improved the customer experience in terms of backbone network transmission, and enhanced the security protection for multiple businesses and multiple customers.

- During the reporting period, the transaction volume generated by our operations increased rapidly. The daily average transaction volume handled by our core system reached 640 million transactions and the highest daily transaction volume reached 791 million transactions. The utilization rate during major business hours of our core system reached 100%, maintaining stable and sustainable service operating capabilities.

Human Resources Management and Organization Management

Organization structure and human resources reform

➢ We built the organization structure for digital transformation, in order to promote the integration of business and technology. The data analysis teams were established and exchange between talents in business departments and departments of science and technology was conducted.

➢ We promoted the innovation and reform of technology and products. A Xi'an R&D Department under the research and development center (a tier-2 department) was established. A grading system for IT-related positions was established in the research and development center and the data center. The administrative measure for product managers was formulated.

➢ We set up the ABC wealth management subsidiary and the pension financial center to promote the development of emerging businesses.

➢ We reorganized the internal control and compliance supervision department and set up a separate legal department to provide organizational guarantees for preventing and mitigating financial risk.

➢ We downsized single sub-branches in the city and the middle and back offices under tier-2 branches, and guided the flow of human resources to staff front lines of our businesses.

Development and Cultivation of Human Resources

During the reporting period, we continued to build a talent pool of competent and professional officials.

➢ We optimized leadership teams in tier-1 branches, tier-2 branches and sub-branches. We made greater effort to nurture outstanding young leaders, by reasonably optimizing their career path and shortening their promotion time.

➢ We implemented the young talent projects both in the County Areas and urban areas to build sufficient reserve forces with high-quality for foundation-level institutions.

➢ Focusing on the transformation of branch outlets, we optimized the positions in foundation-level institutions and increased marketing staff in branch outlets.

➢ We formulated a five-year plan for education and training and implemented a special round of training on digital transformation. More trainings on transformation and position transfer for employees in foundation-level institutions were held. 55 sessions of trainings as Fintech as the theme were held in the Head Office for deputy leaders in foundation-level institutions.

Information on Employees

We had a total of 464,454 employees (and 7,472 dispatched employees) at the end of June 2019, representing a decrease of 9,237 employees as compared to the end of the previous year. Among the in-service employees, 455,734 were employed by our domestic branch outlets and 8,720 worked for our overseas branch outlets and others.

Distribution of Employees by Regions

	30 June 2019	
	Number of Employees	Percentage (%)
Head Office	10,080	2.2
Yangtze River Delta	63,288	13.6
Pearl River Delta	50,427	10.9
Bohai Rim	66,936	14.4
Central China	96,572	20.8
Northeastern China	46,892	10.1
Western China	121,539	26.2
Overseas branches, subsidiaries and representative offices	605	0.1
Subsidiaries of integrated business operations and rural banks	8,115	1.7
Total	**464,454**	**100.0**

Information on Organization

Domestic Branch Outlets

At the end of June 2019, we had 23,281 domestic branch outlets, including the Head Office, Business Department of the Head Office, three specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches (including five branches directly managed by the Head Office), 388 tier-2 branches (including branches in capital cities of provinces), 3,445 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), 19,350 foundation-level branch outlets (including 13,504 tier-2 sub-branches) and 52 other establishments.

Number of Domestic Branch Outlets by Regions

	30 June 2019	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office[1]	9	–
Yangtze River Delta	3,051	13.1
Pearl River Delta	2,518	10.8
Bohai Rim	3,341	14.4
Central China	5,210	22.4
Northeastern China	2,265	9.7
Western China	6,887	29.6
Total number of domestic branch outlets	**23,281**	**100.0**

Note: 1. Including the Head Office, Business Department of the Head Office, Private Banking Division, Credit Card Center, Bills Business Department, Beijing Advanced-Level Academy, Changchun Training Institute, Tianjin Training Institute and Wuhan Training Institute

Overseas Branch Outlets

At the end of June 2019, we had a total of 13 overseas branches and 4 overseas representative offices, including the branches in Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Tokyo, Frankfurt, Sydney, Luxemburg, Dubai, London, Macau and Hanoi, and the representative offices in Vancouver, Hanoi, Taipei and Sao Paulo.

Major Subsidiaries

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008. Its registered capital was RMB1.75 billion, 51.67% of which was held by the Bank. Its businesses include fund-raising, sales of fund and asset management, and its major products include stock funds, mixed funds, bond funds and monetary market funds.

At 30 June 2019, the total assets and net assets of ABC-CA Fund Management Co., Ltd. amounted to RMB3,701 million and RMB3,106 million, respectively. It recorded a net profit of RMB205 million for the first half of 2019.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong in November 2009. The registered capital of ABC International Holdings Limited was HKD4,113 million, 100% of which was held by the Bank. ABC International Holdings Limited is eligible to engage in providing comprehensive and integrated financial services in Hong Kong, including sponsor and underwriter for listing, issuance and underwriting of bonds, financial consultation, investment management, asset management, institutional sales, securities brokerage and securities consultation, and is also eligible to engage in fund management, financial consultation, investment and non-financial licensed capital market businesses in mainland China.

At 30 June 2019, the total assets and net assets of ABC International Holdings Limited amounted to HKD39,713 million and HKD7,945 million, respectively. It recorded a net profit of HKD786 million for the first half of 2019.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 and its registered capital was RMB9.5 billion, 100% of which was held by the Bank. The principal scope of business includes financial leasing, transfer and acceptance of financial leasing assets, fixed-income securities investment business, acceptance of leasing deposits from lessees, absorbing time deposit with a maturity of three months or above from non-bank shareholders, interbank lending, borrowing from financial institutions, overseas borrowings, selling and disposal of leased items, economic consultation, establishment of project companies in domestic bonded zones to carry out financial leasing business, provision of guarantee for external financing to subsidiaries and project companies, and other businesses approved by the CBIRC.

At 30 June 2019, the total assets and net assets of ABC Financial Leasing Co., Ltd. amounted to RMB52,952 million and RMB9,643 million, respectively. It recorded a net profit of RMB150 million for the first half of 2019.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2,950 million, 51% of which was held by the Bank. Its principal scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the abovementioned businesses; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the CBIRC.

At 30 June 2019, the total assets and net assets of ABC Life Insurance Co., Ltd. amounted to RMB84,163 million and RMB6,708 million, respectively. It recorded a net profit of RMB1,857 million for the first half of 2019[1].

China Agricultural Finance Co., Ltd.

The registered capital of China Agricultural Finance Co., Ltd. was HKD588.79 million, 100% of which was held by the Bank.

1 *The financial data of ABC Life Insurance has been adjusted in accordance with the accounting policies of the Group. On the basis of IAS 39 currently adopted by the insurance industry, ABC Life Insurance achieved a net profit of RMB580 million in the first half of 2019.*

ABC Financial Asset Investment Company Limited

The registered capital of ABC Financial Asset Investment Company Limited is RMB10 billion, which is 100% held by the Bank. Its principal scope of business includes: focusing on debt-to-equity conversion and ancillary supporting business, conducting public fund raising from qualified public investors for debt-to-equity conversion in accordance with relevant laws and regulations, issuance of financial bonds specifically for debt-to-equity conversion, as well as other businesses as approved by the CBIRC.

At 30 June 2019, the total assets and net assets of ABC Financial Asset Investment Company Limited amounted to RMB43,741 million and RMB10,621 million, respectively. It recorded a net profit of RMB271 million for the first half of 2019.

Agricultural Bank of China (UK) Limited

Agricultural Bank of China (UK) Limited is a wholly-owned subsidiary of the Bank incorporated in the United Kingdom, with a registered capital of USD0.1 billion. According to its strategy of overseas businesses development, the Bank is currently completing procedures related to closure of Agricultural Bank of China (UK) Limited during the reporting period and had transferred the related business to the London Branch.

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg, with a registered capital of EUR20 million. Its scope of business includes various banking businesses such as retail, wholesale and treasury transactions.

At 30 June 2019, Agricultural Bank of China (Luxembourg) Limited had total assets of USD29 million. It recorded a net loss of USD0.29 million.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the Bank incorporated in Russia, with a registered capital of RUB7,556 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading.

At 30 June 2019, Agricultural Bank of China (Moscow) Limited had total assets of USD195 million. It recorded a net profit of USD2.22 million.

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province, with a registered capital of RMB31 million, 50% of which was held by the Bank. At 30 June 2019, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB307 million and RMB64 million, respectively. It recorded a net profit of RMB1,417.3 thousand for the first half of 2019.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region, with a registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 30 June 2019, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB148 million and RMB35 million, respectively. It recorded a net loss of RMB671 thousand for the first half of 2019.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai County, Yan'an City, Shaanxi Province, with a registered capital of RMB40 million, 51% of which was held by the Bank. At 30 June 2019, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB550 million and RMB64 million, respectively. It recorded a net loss of RMB525.6 thousand for the first half of 2019.

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province, with a registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 30 June 2019, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB224 million and RMB41 million, respectively. It recorded a net loss of RMB602.3 thousand for the first half of 2019.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in June 2012 in Yongkang County, Jinhua City, Zhejiang Province, with a registered capital of RMB210 million, 51% of which was held by the Bank. At 30 June 2019, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB580 million and RMB254 million, respectively. It recorded a net profit of RMB4,430.4 thousand for the first half of 2019.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in June 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB100 million, 51% of which was held by the Bank. At 30 June 2019, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1,004 million and RMB165 million, respectively. It recorded a net profit of RMB7,375.8 thousand for the first half of 2019.

Major Company Invested by the Company

Sino-Congolese Bank for Africa was established by the Bank in the Republic of Congo, in which the Bank invested XAF26,671.40 million, with a shareholding of 50%.

County Area Banking Business

We provide customers in County Areas with comprehensive financial services through all our branch outlets in counties and county-level cities (i.e. County Areas) in China. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, following our business positioning of serving Sannong to promote businesses in the County Areas, we provided financial services related to the strategies of fight against poverty and rural vitalization. We continuously improved the operating mechanism of the County Area Banking Division and accelerated to promote digital transformation of the County Area Business. As a result, our financial service ability and market competitiveness were steadily enhanced.

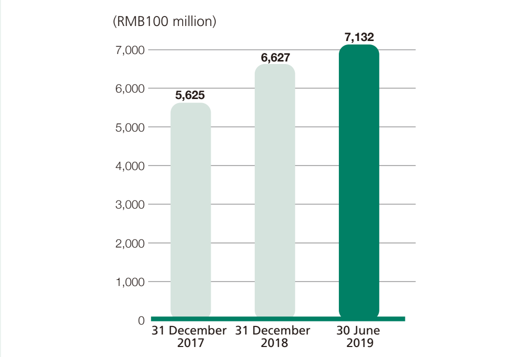
County Area Corporate Banking Business

During the reporting period, focusing on key areas such as the supply-side structural reform through the agricultural sector and leveraging our advantages in funds, channels, synergies between Urban Area Banking Business and County Area Banking Business, and integrated operation, we continuously enhanced services of County Area Corporate Banking Business, aiming to build a best in class digital eco-bank in "Sannong" and inclusive finance areas. At the end of June 2019, the balance of corporate customer deposits in County Areas was RMB2,167,493 million, representing an increase of RMB69,340 million as compared to the end of the previous year. Loans for corporate customers in County Areas (excluding discount bills) amounted to RMB2,440,286 million, representing an increase of RMB161,679 million as compared to the end of the previous year.

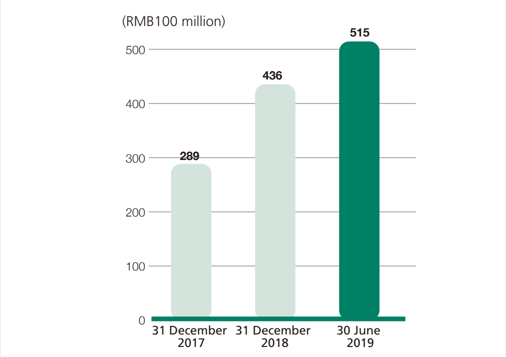
- ➢ We continue to increase loans to key agriculture-related areas. At the end of June 2019, the balance of urbanization loans, green credit, water conservancy loans, tourism loans in the County Areas increased by RMB50.5 billion, RMB23.4 billion, RMB17.9 billion and RMB7.9 billion, respectively.

- ➢ We proactively promoted digital transformation of the County Area Corporate Banking Business. Focusing on e-commerce banking business related to industry chains in County Areas, we proactively promoted the "Huinong E-commerce" as a marketing tool to customers in professional markets and leading enterprises as well as enterprises on their upstream and downstream supply chains. As at the end of June 2019, the number of customers (including corporate and individual business) for e-commerce banking business in County Areas reached 1.5663 million, and the transaction volume for the first half of 2019 recorded RMB166,689 million.

The Balance of Urbanization Loans in the County Areas



The Balance of Tourism Loans in the County Area



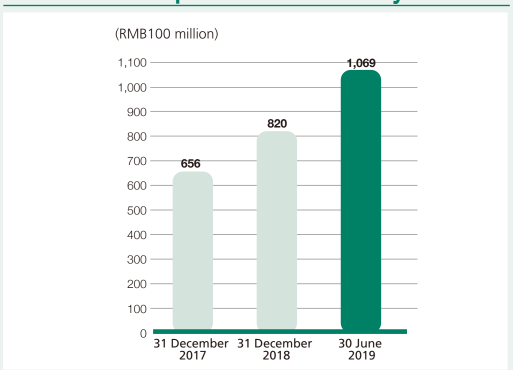
County Area Retail Banking Business

During the reporting period, focusing on new customers, new business formats, new financial needs emerging from the rural vitalization strategy, we promoted innovations in products, models and channels by new technologies such as Internet and big data, to improve our County Area Retail Banking Business. At the end of June 2019, the balance of retail customer deposits in County Areas amounted to RMB5,395,326 million, representing an increase of RMB345,581 million as compared to the end of the previous year. Loans for retail customers in County Areas amounted to RMB1,823,049 million, representing an increase of RMB182,757 million as compared to the end of the previous year.

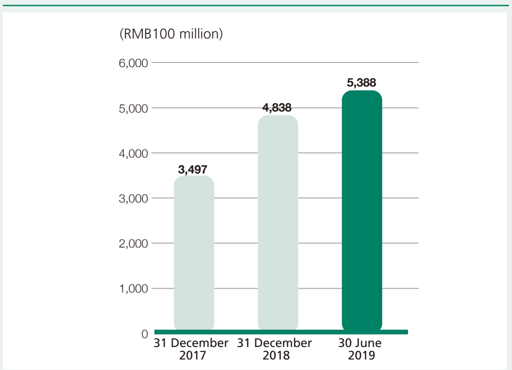
- Focusing on key areas related to new agricultural business entities, reform on rural property rights and innovation and entrepreneurship loans for rural population, we increased loans to rural households. At the end of June 2019, the loans extended to new business entities including large-scale professional operators and family farmers and Anjiadai loans for rural households increased by RMB24.9 billion and RMB55.0 billion, respectively, as compared to the end of the previous year. The balance of loans pledged with "Two Rights" (rural land contractual operation rights and property rights of rural households' houses) in the rural areas amounted to RMB7.0 billion. The balance of innovation and entrepreneurship loans for rural population amounted to RMB2.49 billion, representing an increase of 152% as compared to the end of the previous year.

- We proactively promoted digital transformation of County Area Retail Banking Business. Based on the "ABC E-steward" platform, we promoted new payment methods, expanded the Internet-based application scene for the rural households, enriched the online service functions and continued to upgrade Huinongtong service stations with Internet. As at the end of June 2019, almost all the Huinongtong service stations were connected with the "ABC E-steward" platform and the number of merchants in the Internet-based application scenes for the rural households was 24.4 thousand. In the first half of 2019, the proportion of online payment transactions such as QR transactions to all the transactions reached 46.8%, up by 34.9 percentage points compared to the end of the corresponding period of the previous year.

The Balance of Loans for New Agricultural Business Entities Including Large-Scale Professional Operators and Family Farmers



The Balance of Anjiadai Loans for Rural Households



Financial Poverty Alleviation

During the reporting period, we continuously increased loans to poor areas, improved the precision of targeted financial poverty alleviation, enhanced basic financial service in poor areas, and steadily promoted poverty alleviation in designated areas.

➢ Loans to poor areas achieved fast growth. As for the branches in poor areas, we allocated a separate scale of loans, adopted preferential economic capital measures and prioritized the allocation of financial resources. At the end of June 2019, the balance of loans in the 832 key counties of national poverty alleviation was RMB1,033.1 billion, representing a growth of 12% as compared to the end of the previous year. The balance of loans in extreme poverty areas was RMB372.4 billion, representing a growth of 12.0% as compared to the end of the previous year.

➢ The precision of targeted financial poverty alleviation continued to improve. Focusing on combining the interest of banks and enterprises able to alleviate poverty as well as poor households, we actively innovated poverty alleviation products and models. In the first half of 2019, the total amount of loans accumulatively granted for targeted poverty alleviation was RMB120.8 billion. At the end of June 2019, the balance of targeted poverty alleviation loans was RMB363.5 billion[1].

➢ The coverage of basic financial services was expanded significantly. We prioritized to set up new branch outlets and self-service outlets in poor areas and actively promoted mobile banking, online banking and the Huinong E-tong platform in poor areas. We also focused on facilitating the construction of Jinsui Huinongtong service stations in poor areas, and piloted mobile financial service vehicles in the "Three Regions and Three Prefectures". As at the end of June 2019, 57 branch outlets and 44 self-service outlets in poor villages and towns were in the stage of site selection or construction. As at the end of June 2019, our electronic machines covered 78.6% and 76.7% of administrative villages in key counties of poverty alleviation and in extreme poverty counties in "Three Regions and Three Prefectures", respectively, representing an increase of 8.7 percentage points and 24.1 percentage points as compared to the end of the previous year, respectively.

➢ Remarkable results were achieved in poverty alleviation in designated areas. We continued to implement special supporting measures, for instance, credit scale and economic capital shall be borne by the Head Office, for the four designated counties for poverty alleviation, namely Raoyang County and Wuqiang County in Hebei, Huangping County in Guizhou and Xiushan County in Chongqing. At the end of June 2019, the balance of loans to the four designated counties for poverty alleviation was RMB9.5 billion.

1 *According to the Notice of the People's Bank of China on Issues Concerning the Financial Statistical System for Financial Institutions for 2019 (Yin Fa [2018] No. 346), the Bank adjusted the statistical methods for targeted poverty alleviation loans.*

Taking Three Major Poverty Alleviation Actions, to Contribute to the Strategy of Fight against Poverty

During the reporting period, focusing on serving the strategy of rural revitalization, we took three major poverty alleviation actions, namely poverty alleviation collaboration between the branches in eastern and western regions, poverty alleviation through consumption and poverty alleviation through education and employment, to contribute to the strategy of fight against poverty.

Firstly, we promoted poverty alleviation collaboration between branches in the eastern and western regions. During the reporting period, 12 branches in the eastern regions including Beijing, Shanghai and Tianjin collaborated with relevant poor areas in "Three Regions and Three Prefectures". 12 branches in the eastern regions accumulatively sorted out 36 potential investment projects in "Three Regions and Three Prefectures", dispatched 7 division-level cadres to work in branches in "Three Regions and Three Prefectures", and helped to sell characterized products from "Three Regions and Three Prefectures".

Secondly, we promoted poverty alleviation through consumption. To interface with the "e-commerce channel for poverty alleviation" from the Ministry of Commerce, we established the Internet e-commerce banking service zone — "poverty alleviation mall", targeted at counties of national poverty alleviation, to provide whole-process financial services to merchants in poor counties for their online sale of agricultural products. As a result, we built a new engine for e-commerce poverty alleviation, which increased coverage density of Internet channels over poor counties. We held exhibitions for featured products from poor areas, helped customers and enterprises and farmers in poor areas to establish the supply-buyer relationship. Labor unions and back offices at all levels of the Bank actively purchased products from poor areas. At the end of June 2019, transaction volume under the action of poverty alleviation through consumption amounted to RMB96.31 million. There were 374 shops on operation in the poverty alleviation mall, and 1,137 varieties of featured goods on sale from poor areas. Among 832 state-level poverty alleviation counties, 254 or 30.53% of which were doing the business in the poverty alleviation mall of the Bank.

Finally, we promoted poverty alleviation through education and employment. We started "Jinsui Yuanmeng" activity for 2019 to provide education assistance to freshmen from poor family in extreme poverty counties. During the recruitments in 2019, all the college graduates from poor families who applied for the Bank had been provided with opportunities of participating in written tests and interviews.

Financial Position

Assets and Liabilities

At 30 June 2019, total assets of the County Area Banking Business reached RMB8,684,222 million, representing an increase of 7.6% compared to the end of the previous year. Total loans and advances to customers reached RMB4,388,970 million, representing an increase of 9.6% compared to the end of the previous year. Deposits from customers reached RMB7,869,883 million, representing an increase of 6.6% compared to the end of the previous year.

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

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	**4,388,970**	**–**	4,005,882	–
Allowance for impairment losses on loans	**(223,684)**	**–**	(210,395)	–
Loans and advances to customers, net	**4,165,286**	**48.0**	3,795,487	47.0
Intra-bank balance[1]	**3,747,639**	**43.1**	3,603,324	44.7
Other assets	**771,297**	**8.9**	668,563	8.3
Total assets	**8,684,222**	**100.0**	8,067,374	100.0
Deposits from customers	**7,869,883**	**97.0**	7,380,598	97.7
Other liabilities	**240,654**	**3.0**	173,006	2.3
Total liabilities	**8,110,537**	**100.0**	7,553,604	100.0

Note: 1. Intra-bank balance refers to funds provided by the County Area Banking Business to other business segments within the Bank through internal funds transfers.

Profit

In the first half of 2019, total profit before tax of the County Area Banking Business increased by 7.6% to RMB45,684 million compared to the corresponding period of the previous year.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2019	Six months ended 30 June 2018	Increase/ (decrease)	Growth Rate (%)
External interest income	**95,936**	84,584	11,352	13.4
Less: External interest expense	**57,923**	44,575	13,348	29.9
Interest income from intra-bank balance[1]	**57,514**	56,149	1,365	2.4
Net interest income	**95,527**	96,158	(631)	-0.7
Net fee and commission income	**19,143**	16,656	2,487	14.9
Other non-interest income	**2,450**	1,987	463	23.3
Operating income	**117,120**	114,801	2,319	2.0
Less: Operating expenses[2]	**39,121**	38,619	502	1.3
Credit impairment losses[2]	**32,350**	33,721	(1,371)	-4.1
Impairment losses on other assets[2]	**(35)**	9	(44)	-488.9
Total profit before tax	**45,684**	42,452	3,232	7.6

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

2. The data of the line item for the corresponding period of 2018 were reclassified to conform with the presentation of the financial statements for this reporting period.

Key Financial Indicators

In the first half of 2019, the return on average total assets of the County Area Banking Business was 0.92%, representing an increase of two basis points compared to the corresponding period of the previous year. The interest spread between average cost of deposits and average yield of loans was 3.08%, 26 basis points higher than that of the Bank. At 30 June 2019, the non-performing loan ratio of the County Area Banking Business was 1.82%, representing a decrease of 0.26 percentage point compared to the end of previous year. The allowance to non-performing loans was 280.01% and the allowance to loan ratio was 5.10%.

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

Unit: %

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Return on average total assets	**0.92***	0.90*
Average yield of loans	**4.59***	4.59*
Average cost of deposits	**1.51***	1.27*
Net fee and commission income to operating income	**16.34**	14.51
Cost-to-income ratio	**32.81**	33.14

Item	**30 June 2019**	31 December 2018
Loan-to-deposit ratio	**55.77**	54.28
Non-performing loan ratio	**1.82**	2.08
Allowance to non-performing loans	**280.01**	252.94
Allowance to loan ratio	**5.10**	5.25

* *Annualized figures.*

Risk Management and Internal Control

Risk Management

Comprehensive Risk Management System

In the first half of 2019, we continued to enhance the comprehensive risk management and well maintained the risk limitation. With the "Clean-up Plan" progressing orderly, we recorded consistent declines in both the balance and ratio of non-performing loans. As a result, the asset quality remained stable and was on an upward trajectory. Allowance to non-performing loans continued to increase and thus risk resilience was further enhanced. By strictly applying credit exposure management to industries with excessive production capacity, our credit structure continued to be optimized. As the market risk management policy system was improved, market risk exposure limits were kept within the target scope, and the market risk exposure was under control as a whole. Additionally, we strengthened the asset-liability balance management and kept an adequate reserve of high-quality liquid assets with unimpeded market financing channels, and thus effectively balanced liquidity, security and profitability on condition that the security of liquidity was guaranteed.

Credit Risk

Credit risk is the risk of economic loss arising from the failure of a debtor (or counterparty) to fulfill its obligations to perform contractual liabilities. The Bank's credit risk is primarily originated from loan portfolio, investment portfolio, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In the first half of 2019, we continuously optimized the credit structure and developed innovative patterns of credit business and management. Further, we took forward-looking risk management measures, determined the risk limitations, formulated risk plans and mitigated various potential risks in a timely manner. By innovating disposal patterns of securitization of non-performing loans and debt-to-equity swaps, we made efforts to transfer in batches and write off non-performing loans.

Risk Management of Corporate Banking Business

We refined the credit policy system. Particularly, we continued to optimize industry-specific credit policies, and formulated or revised credit policies related to industries such as biomass power generation, port, logistics, automobile manufacturing, and publishing and printing. To support the strategic development of major regions including the Guangdong-Hong Kong-Macau Bay Area, Xiongan New Area and the Yangtze Economic Belt, we formulated differential credit policies. We further improved credit policies for the private enterprises as well.

We developed innovative patterns of credit business and management to reduce risk. Vigorously promoting the development model of industry chain finance, we selected a group of customers of key industry chains to set classic examples for business development to reduce risk at root. We put into operation and promoted the smart credit management platform featuring "smart identification, smart collection, decision-making hub, smart profiling, smart portal, and smart retrieval", reducing risk by innovative management models.

We pushed ahead with differential credit management in key fields. In this regard, to strengthen the standardized management on credit business to small and micro enterprises by templates and batches, we developed "Micro E-loan" digital product series and improved the big data-based cloud rating model for small and micro enterprises. Besides, we improved credit policies for agriculture-related industries by formulating differential regional credit policies for agriculture-related industries and bolstering credit support for resort towns, rural revitalization and featured agriculture.

We kept strengthening the post-disbursement management and the collection and disposal of non-performing assets. In this respect, we continued to strengthen post-disbursement management of key customers, expanded the scope of risk monitoring for customers with large credit exposures, and enhanced the post-disbursement management of online credit business by improving the mechanism of entrusted payment. We applied measures characterized with more collection, more write-offs, more restructuring, and targeted transfer in batches to dispose of non-performing assets. Securitization of the non-performing loans and market-based debt-to-equity swaps were promoted to reduce the existing non-performing loans.

Risk Management of Retail Banking Business

We built a retail customer information center comprising a retail customer information mart and retail customer profiles, and launched a work platform for retail data analysts to provide a solid data foundation and effective information management tools for target marketing and risk management of retail banking business. Optimizing IT systems of exposure limit management for retail banking business and identification of fraud risk related to retail loans, we achieved accurate identification of risks from retail banking business. We promoted new loan products such as agricultural industry chain finance to prevent and control retail banking business risk through product innovation. Moreover, we continued to reinforce risk monitoring on retail loans, optimized the risk control model, and strengthened the collection and write-offs of non-performing loans from the retail banking business.

Risk Management of Credit Card Business

We promoted the construction of the smart risk control system 2.0 for credit cards to enhance digital risk control. We continued to strengthen the centralized operation and management of the credit card business by establishing the risk control mechanism featuring centralized telephone investigation, approval, monitoring and collection, which significantly improved the intensification of risk control. By improving target customer database and the target customer database for instalment business, we achieved precise marketing and thus reduced the incidence of risks. Moreover, we introduced external data such as education background, housing provident fund and personal income tax to enhance customer risk identification, and rated customer frauds via IT system, so as to provide basis for decision-making before the credit.

Risk Management of Treasury Business

We constantly monitored the transaction prices in financial markets and risk conditions of existing treasury business customers and counterparties, timely updated the list of customers that required special attention and dynamically adjusted the measures to address risks. We worked out plans for disposal of existing non-standard assets, improved management of credit bond before, during and after investment, and continued to establish the platform for unified management of market risk limits.

Loan Risk Classification

The Bank formulated and refined relevant regulations on loan risk classification in accordance with the *Guidelines of Loan Credit Risk Classification* issued by the CBIRC. The Bank comprehensively assessed the recoverability of loans when due and classified the loans by taking into account of principle factors, including the borrower's repayment ability, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment sources.

The Bank adopted two classification management systems for loans: the five-category classification system and the 12-category classification system. Corporate loans were mainly managed with 12-category classification system. Comprehensive evaluations of customer default risk and debt transaction risk objectively reflected the risk level of loans. The evaluations were made with more details in preparing the annual classification highlights at the beginning of the year. Specified requirements for classification standards and management of loans to core corporate customers were provided to improve the foreseeability and sensitivity of risk identification. Retail loans were managed with 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 types of collaterals, allowing for a more objective risk assessment. Large retail loans to private businesses were classified manually on quarterly basis to enhance risk sensitivity. In addition, the classification was timely adjusted based on the risk information collected in the credit management to reflect loan quality objectively.

Credit Risk Analysis

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loans secured by mortgages	**5,851,915**	**45.1**	5,452,275	45.8
Loans secured by pledges	**2,082,392**	**16.1**	1,884,346	15.8
Guaranteed loans	**1,513,570**	**11.7**	1,366,955	11.5
Unsecured loans	**3,514,425**	**27.1**	3,210,049	26.9
Subtotal	**12,962,302**	**100.0**	11,913,625	100.0
Accrued interest	**29,361**	**–**	27,060	–
Total	**12,991,663**	**–**	11,940,685	–

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	**72,436**	**0.6**	79,458	0.7
Overdue for 91 to 360 days	**57,910**	**0.4**	57,026	0.5
Overdue for 361 days to 3 years	**47,824**	**0.4**	50,632	0.4
Overdue for more than 3 years	**16,002**	**0.1**	15,816	0.1
Total	**194,172**	**1.5**	202,932	1.7

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	120,141	0.93
Borrower B	Transportation, logistics and postal services	33,098	0.26
Borrower C	Transportation, logistics and postal services	29,575	0.23
Borrower D	Transportation, logistics and postal services	28,775	0.22
Borrower E	Transportation, logistics and postal services	24,455	0.19
Borrower F	Transportation, logistics and postal services	21,993	0.17
Borrower G	Transportation, logistics and postal services	21,201	0.16
Borrower H	Transportation, logistics and postal services	19,836	0.15
Borrower I	Mining	19,159	0.15
Borrower J	Production and supply of power, heat, gas and water	19,092	0.15
Total		**337,325**	**2.61**

As at 30 June 2019, we fulfilled the regulatory requirements as total loans to the largest single borrower represented 5.25% of the net capital and total loans to the ten largest single borrowers represented 14.75% of the net capital.

Large Risk Exposures

During the reporting period, pursuant to the requirements of the *Administrative Measures for Large Risk Exposures of Commercial Banks* issued by the CBIRC, we continued to implement various infrastructural work for the measurement and management of large risk exposures. We conducted monitoring and analysis on a regular basis to improve our capability to manage large risk exposures.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

	30 June 2019		31 December 2018	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Normal	**12,462,115**	**96.14**	11,397,204	95.67
Special mention	**314,875**	**2.43**	326,419	2.74
Non-performing loans	**185,312**	**1.43**	190,002	1.59
Substandard	**59,818**	**0.46**	45,388	0.38
Doubtful	**107,740**	**0.83**	126,274	1.06
Loss	**17,754**	**0.14**	18,340	0.15
Subtotal	**12,962,302**	**100.00**	11,913,625	100.00
Accrued interest	**29,361**	**–**	27,060	–
Total	**12,991,663**	**–**	11,940,685	–

As at 30 June 2019, the balance of non-performing loans was RMB185,312 million, representing a decrease of RMB4,690 million as compared to the end of the previous year. The non-performing loan ratio decreased by 0.16 percentage point to 1.43% as compared to the end of the previous year. The balance of special mention loans was RMB314,875 million, representing a decrease of RMB11,544 million as compared to the end of the previous year. Special mention loans accounted for 2.43% of the total loans, representing a decrease of 0.31 percentage point as compared to the end of the previous year.

During the reporting period, we continued to implement the "Clean-up Plan" and recorded declines in both the balance and ratio of non-performing loans by "disposing of the existing non-performing loans and reducing the inflow of additional non-performing loans" while following the prudent classification principle.

➢ We continued to improve the credit structure by increasing lending to emerging high-growth industries and controlling total lending for real estate and industries with excess production capacity.

➢ We kept close track of policy changes and regional development by monitoring on key industries, regions and customers and giving prompt risk warning to prevent potential risks.

➢ We strengthened specific governance in credit business and created tailored solutions for different types of customers to spare no effort to address existing risks.

➢ We implemented the disposal strategy for non-performing assets characterized with more collection, more write-offs, more restructuring and targeted transfer in batches. We increased effort in disposing of non-performing loans by combining of securitization, debt-to-equity swaps and other market-oriented means. With respect to non-performing corporate loans which were in line with the national industry policies with promising future but facing temporary difficulties, we promoted restructuring and revitalization of enterprises in need to dissolve the risks of non-performing assets by setting reasonable debt holders, restructuring periods, and guarantee measures.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

	30 June 2019			31 December 2018		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	**150,689**	**81.3**	**2.13**	154,548	81.3	2.37
Short-term corporate loans	**83,388**	**45.0**	**3.64**	98,184	51.7	4.50
Medium- and long-term corporate loans	**67,301**	**36.3**	**1.41**	56,364	29.6	1.30
Discounted bills	**21**	**–**	**0.01**	–	–	–
Retail loans	**29,267**	**15.8**	**0.58**	30,196	15.9	0.65
Residential mortgage loans	**10,247**	**5.5**	**0.26**	11,285	5.9	0.31
Credit card balances	**6,507**	**3.5**	**1.43**	6,310	3.3	1.66
Personal consumption loans	**1,699**	**0.9**	**1.03**	1,276	0.7	0.81
Loans to private business	**4,591**	**2.5**	**1.84**	5,516	2.9	2.56
Loans to rural households	**6,180**	**3.4**	**2.08**	5,759	3.1	2.30
Others	**43**	**–**	**5.17**	50	–	5.18
Overseas and others	**5,335**	**2.9**	**1.23**	5,258	2.8	1.35
Total	**185,312**	**100.0**	**1.43**	190,002	100.0	1.59

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

	30 June 2019			31 December 2018		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	**61,949**	**41.1**	**4.97**	72,033	46.6	6.02
Production and supply of power, heat, gas and water	**5,465**	**3.6**	**0.64**	4,561	3.0	0.54
Real estate	**10,867**	**7.2**	**1.56**	8,450	5.5	1.38
Transportation, logistics and postal services	**13,514**	**9.0**	**0.88**	7,045	4.6	0.51
Wholesale and retail	**26,624**	**17.7**	**7.91**	34,687	22.4	10.73
Water, environment and public utilities management	**944**	**0.6**	**0.19**	1,082	0.7	0.25
Construction	**3,687**	**2.4**	**1.35**	4,935	3.2	2.06
Mining	**6,352**	**4.2**	**3.07**	5,994	3.9	3.06
Leasing and commercial services	**16,378**	**10.9**	**1.60**	7,871	5.1	0.86
Finance	**90**	**0.1**	**0.07**	142	0.1	0.09
Information transmission, software and IT service	**8**	**—**	**0.03**	111	0.1	0.37
Others	**4,811**	**3.2**	**2.36**	7,637	4.8	4.09
Total	**150,689**	**100.0**	**2.13**	154,548	100.0	2.37

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2019			31 December 2018		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	**1,192**	**0.6**	**–**	7	–	–
Yangtze River Delta	**27,990**	**15.1**	**0.97**	27,776	14.6	1.04
Pearl River Delta	**13,962**	**7.5**	**0.68**	19,249	10.1	1.03
Bohai Rim	**44,215**	**24.0**	**2.26**	53,114	27.9	2.90
Central China	**39,895**	**21.5**	**2.09**	28,691	15.1	1.64
Northeast China	**9,712**	**5.2**	**1.97**	9,419	5.0	2.05
Western China	**43,011**	**23.2**	**1.49**	46,488	24.5	1.76
Overseas and others	**5,335**	**2.9**	**1.23**	5,258	2.8	1.35
Total	**185,312**	**100.0**	**1.43**	190,002	100.0	1.59

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	Six months ended 30 June 2019			
	Stage I	Stage II	Stage III	Total
	6-month expected credit losses	Lifetime expected credit losses		
1 January 2019	269,164	68,464	148,984	486,612
Transfer[1]				
Stage I to stage II	(4,345)	4,345	–	–
Stage II to stage III	–	(10,165)	10,165	–
Stage II to stage I	3,395	(3,395)	–	–
Stage III to stage II	–	937	(937)	–
Originated or purchased financial assets	72,096	–	–	72,096
Remeasurement	27,430	3,459	17,922	48,811
Repayment and transfer-out	(34,766)	(2,602)	(20,924)	(58,292)
Write-offs	–	–	(23,594)	(23,594)
30 June 2019	**332,974**	**61,043**	**131,616**	**525,633**

Notes: 1. For details of the impairment models of the three stages, please refer to "Note 21 Loans and Advance to Customers" to the Condensed Consolidated Interim Financial Statements.

2. The table includes the allowance for impairment losses on loans to customers measured at fair value through other comprehensive income.

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. The Bank's organizational structure of market risk management comprises the Board of Directors and its Risk Management/Consumers' Interest Protection Committee, senior management and its Risk Management and Internal Control Committee, the Risk Management Department, the Asset and Liability Management Department and other departments (institutions) bearing market risks.

During the reporting period, we formulated the market risk management policies for 2019, and further improved the market risk management policy system. We continued to optimize various functions of the IT system for market risk management, including limits statistics, capital measurement and parameter management. We also continued to carry out comprehensive validation of Internal Model Approach. We strengthened the derivative transactions management and reasonably controlled the size and duration of financial investments measured at fair value through other comprehensive income. Further, we kept exposures from different proprietary transactions at relatively low levels. As a result, our exposures to market risk were under control as a whole.

Market Risk Exposure Limit Management

The Bank's market risk exposure limits are classified into directive limits and indicative limits.

In the first half of 2019, we further enhanced market risk exposure limit management, and refined the categorization of limits by setting different market risk exposure limits based on the types of products and risks and other dimensions. We also leveraged the IT system to measure, monitor and report risk exposure limits automatically. During the reporting period, the market risk exposure limits of the Bank were all kept within the designated ranges.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of 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 the banking book. The trading book includes the financial instruments and commodity positions held for trading or hedging against the risk of other items in the trading book. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

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

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

VaR Analysis for the Trading Book

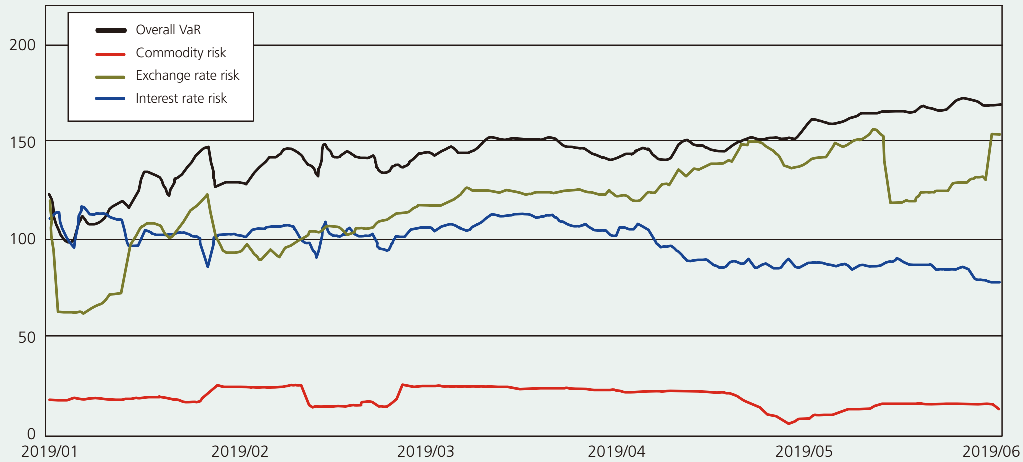
In millions of RMB

Item	Six months ended 30 June 2019				Six months ended 30 June 2018			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	**78**	**98**	**116**	**78**	73	59	83	44
Exchange rate risk[1]	**153**	**118**	**156**	**62**	51	52	94	12
Commodity risk	**13**	**19**	**25**	**5**	15	15	19	10
Overall VaR	**170**	**145**	**172**	**98**	107	102	134	57

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

Change in VaR of Trading Book in the first half of 2019

In millions of RMB



During the reporting period, the average balance of the bond portfolio increased and its duration extended slightly. Coupled with changes in extreme scenarios, our VaR of interest rate risk increased. As the exposure of overseas gold trading increased, the VaR of exchange rate risk raised as compared with the corresponding period of the previous year. As both the exposures of domestic and overseas silver trading remained stable as compared with the previous period, the VaR of commodity risk remained flat as compared with the corresponding period of the previous year.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

The interest rate risk of the banking book refers to risk of losses in the economic value or overall gain of the banking book as a result of adverse changes in the interest rate level, term structure, and other interest-related factors.

During the reporting period, we established an effective management system for interest rate risk in the banking book according to systematical importance, risk condition and business complexity, which included risk management structure, risk management strategies, policies and processes, mechanisms related to risk identification, measurement, monitoring, control and mitigation, mechanisms of internal control and internal audit, risk management systems and information disclosure and reporting.

We paid close attention to the changes in external interest rate environment, strengthened risk monitoring and forecast, and timely adjusted the product portfolio and term structure of assets and liabilities. We also continuously improved the quality of interest rate risk data and increased the accuracy of risk measurement and monitoring. During the reporting period, the overall interest rate risk remained stable with all risk exposure limits kept within the designated ranges.

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 non-trading assets and liabilities (the "non-trading exchange rate risk"), which are difficult to be avoided in operations.

During the reporting period, we performed exchange rate risk exposure monitoring and sensitivity analysis regularly and continuously refined exchange rate risk measurement. Through proper matching of foreign currencies, we flexibly adjusted the trading exchange rate risk exposure, while maintaining the non-trading exchange rate risk exposure stable. Therefore, the risk exposure of exchange rate of the Bank was controlled within a reasonable range.

Interest Rate Risk Analysis

As at 30 June 2019, the accumulative negative gap with interest rate sensitivity due within one year amounted to RMB1,599,480 million, representing an increase of RMB2,012 million in absolute terms as 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	Subtotal of 1 year and below	1–5 years	Over 5 years	Non-interest earning
30 June 2019	**(8,415,455)**	**474,470**	**6,341,505**	**(1,599,480)**	**991,538**	**1,940,247**	**64,402**
31 December 2018	(3,394,064)	385,096	1,411,500	(1,597,468)	1,214,752	1,830,838	34,524

Note: Please refer to "Note 47.3 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 2019		31 December 2018	
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	**(52,914)**	**(43,583)**	(24,024)	(67,879)
Decreased by 100 basis points	**52,914**	**43,583**	24,024	67,879

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

Based on the composition of the assets and liabilities as at 30 June 2019, if the interest rates instantaneously increase (or decrease) by 100 basis points, the net interest income and other comprehensive income would decrease (or increase) by RMB52,914 million and RMB43,583 million, respectively.

Exchange Rate Risk Analysis

The Bank's exchange rate risk is mainly the risk exposure arising from the exchange rate of USD against RMB.

In the first half of 2019, the mid-point rate of RMB against USD depreciated accumulatively by 115 basis points or 0.17%. As at 30 June 2019, the foreign exchange exposure of on- and off-balance sheet financial assets/liabilities was USD2,727 million, representing an increase of USD474 million in absolute terms as compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2019		31 December 2018	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	**37,205**	**5,412**	13,131	1,913
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	**(18,456)**	**(2,685)**	2,335	340

Note: Please refer to "Note 47.3 Financial Risk Management: Market Risk" to the Condensed Consolidated Interim Financial Statements for more details.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax 30 June 2019	Impact on profit before tax 31 December 2018
USD	+5%	**(475)**	(110)
	-5%	**475**	110
HKD	+5%	**709**	(644)
	-5%	**(709)**	644

The non-RMB denominated assets and liabilities were primarily denominated in USD and HKD. Based on the exchange exposure at the end of the reporting period, the profit before tax would decrease (or increase) by RMB475 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost to settle amounts due, fulfill other payment obligations and satisfy other funding needs during the ordinary course of business. The main factors affecting liquidity risk include negative impacts of market liquidity, deposit withdrawal by customers, loans withdrawal by customers, mismatch between asset and liability structures, debtor's default, difficulty in asset realization, weakening in financing ability, etc.

Liquidity Risk Management

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of the decision-making system, the execution system and the supervision system, among which, the decision-making system consists of the Board of Directors and its Risk Management Committee/Consumers' Interest Protection Committee and the Senior Management; the execution system consists of liquidity management departments, asset and liability business departments, information and technology departments, etc.; and the supervision system consists of the Board of Supervisors, the audit office, the compliance management department and legal affairs department.

Liquidity Risk Management Strategy and Policy

The Bank adhered to a prudent liquidity management strategy and stipulated the general goals, management model, major policies and procedures of liquidity management. Following regulatory requirements, external macroeconomic environment and business development, we formulated our liquidity risk management policy. We effectively maintained balance among liquidity, security and profitability, provided that the security of liquidity was guaranteed.

Liquidity Risk Management Objectives

The objectives of the Bank's liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system; to timely fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses and for the payment obligations under ordinary operating conditions or under stress, while effectively balancing both capital efficiency and security of liquidity; and to strengthen the liquidity risk management and monitoring of our branches, subsidiaries and all business lines to effectively prevent the overall liquidity risk of the Group.

Liquidity Risk Management Method

We paid close attention to changes in external economic and financial situation, monetary policies and market liquidity, continued to monitor the operation of asset and liability businesses and the liquidity condition across the Bank, and strengthened forecast and anticipation for liquidity risks. We strengthened the asset-liability management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of financial instruments, to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, alerting and overall allocation of funds. With adequate high liquid asset reserve and reasonable and moderate buffers, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system to improve our electronic management.

Stress Test Situation

Based on the market condition and operation practice, the Bank set liquidity risk stress scenarios on full consideration of various risk factors which may affect the liquidity. We conducted stress test quarterly. According to the test results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

Main Factors Affecting Liquidity Risk

In the first half of 2019, the internal and external liquidity situations faced by the Bank was complicated. Global trade frictions brought about more uncertainties, accompanied by increased risk of global economy downturn and greater fluctuations in the financial market, posing a great impact on the liquidity in the domestic market. The financial supply-side structural reform continued to advance and countercyclical adjustments were made. The market funds were structurally tight with greater fluctuations in market interest rate. We faced many challenges in our liquidity risk management such as increased volatility of liabilities, greater pressure from maturity mismatch management and structural optimization of assets and liabilities, and increased difficulty in balancing the liquidity, security and profitability.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. As at the end of June 2019, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 54.23% and 133.23%, respectively. The average of the liquidity coverage ratio over the second quarter in 2019 decreased by 17.4 percentage points to 123.2% as compared to the previous quarter. As at the end of June 2019, the net stable funding ratio was 129.6%, with available net stable fund of RMB16,662.9 billion in numerator and the net stable fund required of RMB12,860.8 billion in denominator.

Liquidity Gap Analysis

The table below presents the Bank's net position of liquidity as at 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 2019	**29,410**	**(11,646,559)**	**22,941**	**(628,310)**	**197,555**	**3,374,518**	**7,744,787**	**2,302,365**	**1,396,707**
31 December 2018	20,466	(10,794,068)	221,913	(979,235)	(71,719)	3,467,506	7,108,745	2,509,038	1,482,646

Note: Please refer to "Note 47.2 Financial Risk Management: Liquidity Risk" to the Condensed Consolidated Interim Financial Statements for more details.

For details of liquidity coverage ratio and net stable funding ratio of the Bank, please refer to "Appendix II Liquidity Coverage Ratio Information" and "Appendix IV Net Stable Funding Ratio Information", respectively.

Operational Risk

Operational Risk Management

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

During the reporting period, we further improved our operational risk management system to strengthen the professionality of operational risk management. We optimized the information system for operational risk management, which enabled us to automatically aggregate operational risk data. We integrated and deepened the application of operational risk management tools and performed operational risk assessment, which enhanced our initiative and foreseeability of risk prevention and control. By monitoring, analyzing, tracking and supervision major operational risk events, we reinforced the pertinence and effectiveness of operational risk management.

Legal Risk Management

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

During the reporting period, we strengthened legal risk management and propelled operation compliance. We built an integrated mechanism for managing the Group's legal risk at home and abroad. We implemented a cross-border data compliance project to ensure the legality of processing relevant cross-border data. We followed up domestic key cases and risk events, prudently handled overseas litigation-related risk and strengthened the enforcement of effective judgment documents. We optimized the contract text system mainly comprising standard form contracts and supplemented by non-standard form contracts. We also strengthened trademark management and carried out management of patent application and maintenance. Moreover, we established a mechanism for evaluating the professional competence of the person in charge of the legal department to build a professional legal team. We developed the intelligent management platform, work platform and information platform to deal with legal affairs.

Reputation Risk

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.

During the reporting period, we continuously improved the policies and mechanism for reputation risk management, and prevented reputation risk and responded to reputation events in a proactive and effective manner. We effectively addressed reputation risk by exerting greater effort on monitoring negative public opinions and actively responding to public concerns. Highlighting the prevention and control in advance, we conducted inspections on reputation risk clues. Moreover, we launched a public opinion management information system to promote informatization management of reputation risk.

Country Risk

Country risk represents the 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.

During the reporting period, confronted with intricate and changing international environment, we constantly followed and monitored country risk situation to promptly get informed of potential risks. We managed country risk effectively through tools and approaches such as country risk evaluation and rating, limit approval and adjustment, risk exposure statistics, research and analysis of market, and stress test. We also propelled the establishment of information systems to promote the informatization management of country risk.

Risk Consolidated

We continuously promoted the risk consolidation management of the Group. We conducted off-site assessments on the effectiveness of risk management of our subsidiaries and enhanced the evaluation on the risk management capabilities of our subsidiaries. In addition, we proceeded to improve concentration risk and limit management, by including our subsidiaries into the assessment of credit concentration risk and setting industrial credit limits for each subsidiary and monitoring on a regular basis. Under the guidance of the Bank, the subsidiaries reviewed and revised their own risk appetite and risk management policies within the unified framework of the Group's risk appetite.

Internal Control

Internal Control Construction

During the reporting period, we moved on to upgrade the internal control mechanism and strived to improve the effectiveness of internal control to ensure operation compliance.

➢ The compliance management of the Group was strengthened. We enhanced the integrated management of the Group, by controlling scales of internal transactions and building a firewall for internal transaction risks, to prevent and mitigate the internal transaction risks of the Group. We intensified compliance trainings for overseas operations and improved overseas compliance management.

➢ The establishment of compliance culture was advanced. We emphasized the guiding role of compliance concept and furthered the application of cases for warning and education. Besides, we revised the code of conduct for employees with more specified compliance requirements for employees, so as to harness the roles of the compliance culture in guiding, restricting, cohering and inspiring.

➢ Targeted case prevention and control was enhanced. We underlined dual accountabilities on institution and business line, continued to implement actions to support the "Year to Strengthen Management Basics and Foundation-level Management" initiatives and promoted "Three Lines and One Grid" in an all-round way, and honed our capability in prevention of cases of compliance violations by means of technology. We set up a cross-departmental laboratory for monitoring, developed high-accuracy models for prevention of cases of compliance violations and sped up the establishment of a monitoring and alerting platform for preventing cases of compliance violations, an anti-fraud platform and the intelligent risk control system.

- Efforts were made to improve the quality and efficiency of examinations and rectifications. We focused on the risk prevention and control in key areas such as real estate, private sector, small and micro enterprises and poverty alleviation, conducted in-depth scrutinization for risk of cases, and rectified market chaos. By optimizing internal control evaluation, we detected internal control defects and potential risks to fix the bugs in regimes, processes and systems. We implemented the rectification for issues identified in internal and external audit and regulatory inspections, so as to promote the business improvement.

Anti-money Laundering

During the reporting period, we promoted the construction of our compliance management capability for global anti-money laundering in an all-round manner with reference to the highest international standards and the best practices within the industry.

- A development plan for the global anti-money laundering center was prepared to give overall deployment for establishing a worldwide first-class anti-money laundering center from such aspects as specifying the goal, enhancing the construction of the anti-money laundering compliance project and strengthening the guarantee by organizational resources.

- A joint investigation and information discussion mechanism for money-laundering risks was established and improved to carry out collection, analysis, digging and joint investigation for clues to the relevant risks.

- An intelligent management mode for anti-money laundering was developed. A multi-dimensional data analysis tool was applied to accelerate the application of intelligent technology in the identification of customers and risk evaluation.

Capital Management

During the reporting period, we implemented our capital plan for 2019–2021 in accordance with the regulatory requirements of the Capital Rules for Commercial Banks (Provisional), focused on capital restriction and guidance on business, enhanced internal and external capital replenishment capability, improved our long-term mechanism of capital management, and maintained healthy capital adequacy ratio. We implemented advanced capital management method and measured capital adequacy ratio with the advanced capital measurement method and other method during the consolidation period according to the requirements of the CBIRC.

We has formulated the Three Year Action Plan of Improving the Bank's Capital Adequacy Ratio (the "Consolidation Plan"), which specified the target capital adequacy ratio for 2017–2019. Focusing on both capital replenishment and capital conservation, we formulated the working plan for improving capital adequacy ratios, and proposed specific measures to further improve the capital management system. During the reporting period, we implemented the Consolidation Plan steadily and achieved the milestone objective of the Plan. As a result, our capital adequacy ratios increased steadily, which provided strong support to our business development and operation transformation.

Management of Capital Financing

During the reporting period, we improved the capital replenishment system. To replenish capital, we proactively explored external sources except for retaining profit.

In March and April 2019, we completed issuances of two batches of tier-2 capital bonds in the inter-bank bond market of China, in the amount of RMB60 billion each batch and RMB120 billion in total. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our Tier 2 capital.

In August and September 2019, we completed issuances of two batches of write-down undated capital bonds in the inter-bank bond market of China in the amount of RMB85 billion and RMB35 billion, respectively, which totaling RMB120 billion. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our additional Tier 1 capital.

In May 2019, we fully redeemed the 15-year subordinated bonds issued in May 2009 in the amount of RMB25 billion.

In August 2019, we fully redeemed the 10-year tier-2 capital bonds issued in August 2014 in the amount of RMB30 billion.

For details of such issuances and redemptions, please refer to the relevant announcements published on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Management of Economic Capital

During the reporting period, we constrained total capital, optimized asset structure, and controlled the growth rate of risk assets, in an effort to achieve capital-intensive development. We continued to improve the mechanism for allocation of economic capital, emphasizing the guidance of strategic objectives and the idea of value return, and strengthened the monitoring and evaluation of economic capital, so as to constantly enhance sophisticated capital management.

Capital Adequacy Ratio and Leverage Ratio

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

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in Share Capital of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2018		Increase/decrease during the reporting period (+, -)			**30 June 2019**	
	Number of Shares	Percentage[3] (%)	New Shares Issued	Others	Subtotal	**Number of Shares**	**Percentage[3] (%)**
I. Shares subject to restrictions on sales[1]	25,188,916,873	7.20	–	–	–	**25,188,916,873**	**7.20**
1. State-owned[2]	19,959,672,543	5.70	–	–	–	**19,959,672,543**	**5.70**
2. State-owned legal entity[2]	5,037,783,373	1.44	–	–	–	**5,037,783,373**	**1.44**
3. Other domestic shares[2]	191,460,957	0.05	–	–	–	**191,460,957**	**0.05**
II. Shares not subject to restrictions on sales	324,794,117,000	92.80	–	–	–	**324,794,117,000**	**92.80**
1. RMB-dominated ordinary shares	294,055,293,904	84.02	–	–	–	**294,055,293,904**	**84.02**
2. Foreign-invested shares listed overseas[2]	30,738,823,096	8.78	–	–	–	**30,738,823,096**	**8.78**
III. Total number of shares	349,983,033,873	100.00	–	–	–	**349,983,033,873**	**100.00**

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

2. "State-owned" in this table refers to the shares held by the MOF and Huijin. "State-owned legal entity" refers to the shares held by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited, Zhongwei Capital Holding Company Limited and China National Tobacco Corporation Hubei Province Company. "Other domestic shares" refer to the shares held by New China Life Insurance Company Limited. "Foreign-invested shares listed overseas" refer to the H shares as defined in the Standards on the Content and Format of Information Disclosure of Companies with Public Offerings No. 5 — Content and Format of Report of Change in Shareholding (Revision 2007) of the CSRC.

3. Rounding errors may arise in the "Percentage" column of the table above as the figures are rounded to the nearest decimal number.

The trading date of shares subject to restrictions on sales

Unit: Share

Date	**Number of new shares for trading upon the expiry of the restrictions on sales**	**Balance of shares subject to restrictions on sales**	**Balance of shares not subject to restrictions on sales**	**Description**
2 July 2021	5,229,244,330	19,959,672,543	330,023,361,330	China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited, Zhongwei Capital Holding Company Limited, China National Tobacco Corporation Hubei Province Company and New China Life Insurance Company Limited
2 July 2023	19,959,672,543	–	349,983,033,873	Huijin and the MOF

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

Unit: Share

No.	Shareholders subject to restrictions on sales	Number of shares held subject to restrictions on sales	Date of trading	Number of new shares for trading	Restrictions on sales
1	Huijin	10,082,342,569	2 July 2023	–	Five years from the date of acquisition of equity
2	MOF	9,877,329,974	2 July 2023	–	Five years from the date of acquisition of equity
3	China National Tobacco Corporation	2,518,891,687	2 July 2021	–	36 months from the date of the end of the private placement
4	Shanghai Haiyan Investment Management Company Limited	1,259,445,843	2 July 2021	–	36 months from the date of the end of the private placement
5	Zhongwei Capital Holding Company Limited	755,667,506	2 July 2021	–	36 months from the date of the end of the private placement
6	China National Tobacco Corporation Hubei Province Company	503,778,337	2 July 2021	–	36 months from the date of the end of the private placement
7	New China Life Insurance Company Limited	191,460,957	2 July 2021	–	36 months from the date of the end of the private placement

Details of Issuance and Listing of Securities

Issuance of Securities

For issuance of securities of the Bank during the reporting period, please refer to “Note 33 Debt Securities Issued” to the Condensed Consolidated Interim Financial Statements for details.

Employee Shares

The Bank had no employee shares.

Particulars of Holders of Ordinary Shares

Number of Shareholders and Particulars of Shareholding

As at 30 June 2019, the Bank had a total of 436,915 shareholders, including 22,988 holders of H Shares and 413,927 holders of A Shares.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Particulars of shareholdings of the top 10 shareholders (the shareholdings of holders of H Shares are based on the number of shares as set out in the register of members of the Bank maintained by its H Share registrar)

Unit: Share

Total number of shareholders	**436,915** (as set out in the registers of shareholders of A Shares and H Shares as at 30 June 2019)

Particulars of shareholdings of the top 10 shareholders (the information below is based on the registers of shareholders as at 30 June 2019)

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 held subject to sales restrictions	Number of shares pledged or locked-up
Huijin	State-owned	A Shares	–	40.03	140,087,446,351	10,082,342,569	None
MOF	State-owned	A Shares	–	39.21	137,239,094,711	9,877,329,974	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-29,619,065	8.73	30,540,480,226	–	Unknown
National Council for Social Security Fund	State-owned	A Shares	–	2.80	9,797,058,826	–	None
China National Tobacco Corporation	State-owned legal entity	A Shares	–	0.72	2,518,891,687	2,518,891,687	None
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Others	A Shares	+144,534,997	0.54	1,887,281,387	–	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	–	0.53	1,842,751,186	–	None
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	Others	A Shares	+907,183,520	0.42	1,460,408,470	–	None
Shanghai Haiyan Investment Management Company Limited	State-owned legal entity	A Shares	–	0.36	1,259,445,843	1,259,445,843	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A Shares	–	0.36	1,255,434,700	–	None

Notes: 1. *The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as at 30 June 2019.*

2. *Among the shareholders listed above, apart from Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin, China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" and "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" are under the management of China Life Insurance Company Limited, the Bank is not aware of any connections between the shareholders above or whether they are parties acting in concert. The number of shares held by Huijin and Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin, amounted to 141,342,881,051 in aggregate, accounting for 40.39% of the total share capital of the Bank. The number of shares held by China National Tobacco Corporation and Shanghai Haiyan Investment Management Company Limited amounted to 3,778,337,530 in aggregate, accounting for 1.08% of the total share capital of the Bank. The number of shares held by "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" and "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" amounted to 3,347,689,857 in aggregate, accounting for 0.96% of the total share capital of the Bank.*

Particulars of shareholdings of the top 10 shareholders not subject to sales restriction (the data below are based on the shareholders registered as at 30 June 2019)

Unit: Share

Name of shareholder	Number of shares held not subject to sales restriction	Type of shares
Huijin	130,005,103,782	A Shares
MOF	127,361,764,737	A Shares
HKSCC Nominees Limited	30,540,480,226	H Shares
National Council for Social Security Fund	9,797,058,826	A Shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,887,281,387	A Shares
China Securities Finance Corporation Limited	1,842,751,186	A Shares
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	1,460,408,470	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares
Wutongshu Investment Platform Co., Ltd.	980,723,700	A Shares
Hong Kong Securities Clearing Company Limited	970,629,470	A Shares

Notes: 1. *The total number of shares held by HKSCC Nominees Limited represents the number of H Shares in aggregate held by it as a nominee on behalf of all institutional and individual investors registered with it as at 30 June 2019.*

2. *Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Both "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" and "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" are under the management of China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above or between such shareholders and the top 10 shareholders or whether they are parties acting in concert.*

3. *The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong and overseas.*

Particulars of Substantial Shareholders

Change in Substantial Shareholders and De Facto Controller

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

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at 30 June 2019, the Bank received notifications from the following persons regarding their interests or short positions in 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	Interest and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/nominee[1]	147,036,153,537 (A Shares)[2]	Long position	46.06	42.01
Huijin	Beneficial owner	140,087,446,351 (A Shares)	Long position	43.88	40.03
	Interest of controlled entity	1,255,434,700 (A Shares)	Long position	0.39	0.36
The Bank of New York Mellon Corporation	Interest of controlled entity	2,463,016,560 (H Shares)	Long position	8.01	0.70
		2,396,222,250 (H Shares)	Shares available for lending	7.80	0.68
Qatar Investment Authority	Interest of controlled entity	2,448,859,255 (H Shares)[3]	Long position	7.97	0.70
Qatar Holding LLC	Beneficial owner	2,408,696,255 (H Shares)[3]	Long position	7.84	0.69
BlackRock, Inc.	Interest of controlled entity	2,200,127,168 (H Shares)[4]	Long position	7.16	0.63
		3,151,000 (H Shares)	Short position	0.01	0.00
Citigroup Inc.	Interest of controlled entity	1,551,780,771 (H Shares)[5]	Long position	5.04	0.43
		53,495,052 (H Shares)	Short position	0.17	0.01
	Approved lending agent	1,422,846,175 (H Shares)	Shares available for lending	4.62	0.41

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 members of the Bank as at 30 June 2019, the MOF held 137,239,094,711 A Shares of the Bank, representing 42.99% of the issued A Shares and 39.21% of the total issued shares of the Bank, respectively.*
3. *Qatar Investment Authority is deemed to be interested in 2,448,859,255 H Shares in aggregate, both directly and indirectly held by Qatar Holding LLC and QSMA1 LLC, both of which are wholly-owned subsidiaries of Qatar Investment Authority.*
4. *BlackRock, Inc. is deemed to be interested in 2,200,127,168 H Shares in aggregate, both directly and indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are wholly-owned subsidiaries of BlackRock, Inc.*
5. *Citigroup Inc. is deemed to be interested in 1,551,780,771 H Shares in aggregate, both directly and indirectly held by Citicorp LLC and Citibank, N.A., both of which are wholly-owned subsidiaries of Citigroup Inc..*

Details of Preference Shares

Issuance and Listing of Preference Shares

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

Number of Holders of Preference Shares and their Shareholdings

As at 30 June 2019, the Bank had a total of 25 holders[1] of the preference shares " 農行優 1".

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優1" (Stock Code: 360001)

(the information below is based on the registers of shareholders as at 30 June 2019)

Name of shareholders[1]	Nature of shareholders[2]	Type of shares	Increase/ decrease during the reporting period (+, –)[3]	Total number of shares held	Shareholding percentage[4] (%)	Number of shares subject to pledge or lock-up
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	–	60,000,000	15.00	None
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	–	49,000,000	12.25	None
Beijing Tiandi Fangzhong Asset Management Co., Ltd.	Others	Domestic preference shares	–	35,000,000	8.75	None
PICC Life Insurance Company Limited	Others	Domestic preference shares	–	30,000,000	7.50	None
Ping An Life Insurance Company of China, Ltd.	Others	Domestic preference shares	–	30,000,000	7.50	None
Hexie Health Insurance Co., Ltd.	Others	Domestic preference shares	–	30,000,000	7.50	None
Beijing International Trust Co., Ltd.	Others	Domestic preference shares	–	30,000,000	7.50	None
Zhonghai Trust Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of Ningbo Co., Ltd.	Others	Domestic preference shares	–	15,000,000	3.75	None
Bank of Beijing Scotiabank Asset Management Co., Ltd.	Others	Domestic preference shares	–	12,000,000	3.00	None

Notes: 1. The Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.

2. As stipulated in the Standards on Content and Format of Information Disclosure of Companies with Public Offerings No.3 — Content and Format of Interim Report (Revision 2017), "Particulars of holders of preference shares should set out the entities which hold shares on behalf of the states and foreign holders". Except for the entities which hold shares on behalf of the PRC and foreign shareholders, the nature of other holders of preference shares is categorized as "Others".

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

3. *"Increase/decrease during the reporting period" refers to the change of shareholding due to secondary market transactions.*
4. *"Shareholding percentage" refers to the percentage of "農行優1" held by the holders of preference shares to the total number of "農行優1" (i.e. 400 million shares).*

As at 30 June 2019, the Bank had a total of 28 holders of preference shares " 農行優 2".

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優2" (Stock Code: 360009)

(the information below is based on the registers of shareholders as at 30 June 2019)

Name of shareholders[1]	Nature of shareholders[2]	Type of shares	Increase/ decrease during the reporting period (+, –)[3]	Total number of shares held	Shareholding percentage[4] (%)	Number of preference shares subject to pledge or lock-up
China Life Insurance Company Limited	Others	Domestic preference shares	–	50,000,000	12.50	None
China National Tobacco Corporation	Others	Domestic preference shares	–	50,000,000	12.50	None
Beijing Chance Capital Management Co., Ltd.	Others	Domestic preference shares	–	25,000,000	6.25	None
Maxwealth Fund Management Co., Ltd.	Others	Domestic preference shares	–	25,000,000	6.25	None
China Mobile Communications Group Co. Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Shanghai Wisdom Asset Management Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None

Notes 1. *Both 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 National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Co., Ltd. Both "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" and "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" are under the management of China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above holders of preference shares, or between the above holders of preference shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.*

2. *As stipulated in the No.3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Interim Report (Revision 2017), "Particulars of holders of preference shares should set out the entities which hold shares on behalf of the states and foreign holders". Except for the entities which hold shares on behalf of the PRC and foreign shareholders, the nature of other holders of preference shares is categorized as "Others".*
3. *"Increase/decrease during the reporting period" refers to the change of shareholding due to secondary market transactions.*
4. *"Shareholding percentage" refers to the percentage of "農行優2" held by holders of preference shares to the total number of "農行優2" (i.e. 400 million shares).*

The preference shares " 農行優 1" and " 農行優 2" of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares " 農行優 1" and " 農行優 2" who are not subject to restrictions on sale are same as the top 10 holders of preference shares.

Profit Distribution of Preference Shares

Dividends of the Bank's preference shares are paid in cash and shall be paid annually. When the Bank resolves to cancel part or all of the dividends to holders of preference shares, such undistributed dividends of current period shall not be accumulated to subsequent dividend periods. The holders of preference shares of the Bank, upon receiving dividends at the agreed rate, shall not participate in the distribution of the remaining profit attributable to the holders of ordinary shares.

During the reporting period, on 11 March 2019, the Bank paid cash dividends of RMB5.50 (tax inclusive) per preference share and RMB2.2 billion (tax inclusive) in aggregate (calculated at a coupon rate of 5.50%) to all holders of " 農行優 2" (stock code: 360009) whose names appeared on the register of members at the close of business on 8 March 2019. On 30 August 2019, the Board of Directors resolved and approved the Dividend Payment Scheme of 2018–2019 for the First Tranche of the Preference Shares. On 5 November 2019, we will pay cash dividends of RMB6.00 (tax inclusive) per preference share and RMB2.4 billion (tax inclusive) in aggregate, calculated by a coupon rate of 6.00% to all holders of " 農行優 1" (stock code: 360001) whose names will appear on the register of members at the close of business on 4 November 2019.

Please refer to the announcements of the Bank published on the website of Shanghai Stock Exchange (www.sse.com.cn) for details.

Redemption or Conversion of Preference Shares

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

Accounting Policies

In accordance with *International Financial Reporting Standard 9 — Financial Instruments* and *International Accounting Standard 32 — Financial Instruments: Presentation and other accounting standards* issued by International Accounting Standard Board, the Bank is of the view that the terms of preference shares " 農行優 1" (stock code: 360001) and " 農行優 2" (stock code: 360009) meet the definition of equity instruments.

Directors, Supervisors and Senior Management of the Bank

As at the date of this interim report published by the Bank, the compositions of the Board of Directors, the Board of Supervisors and Senior Management of the Bank were as follows:

The Board of Directors of the Bank consisted of 15 Directors, including four Executive Directors, namely Mr. ZHOU Mubing, Mr. WANG Wei, Mr. CAI Dong and Ms. ZHANG Keqiu; six Non-executive Directors, namely Mr. XU Jiandong, Mr. CHEN Jianbo, Mr. LIAO Luming, Mr. LI Qiyun, Mr. LI Wei and Mr. WU Jiangtao; and five Independent Non-executive Directors, namely Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret and Mr. LIU Shouying.

The Board of Supervisors of the Bank consisted of eight Supervisors, including two Supervisors Representing Shareholders, namely Mr. WANG Jingdong and Mr. WANG Xingchun; three Supervisors Representing Employees, namely Mr. LIU Chengxu[1], Mr. XIA Taili and Mr. SHAO Lihong; and three External Supervisors, namely Mr. LI Wang, Mr. ZHANG Jie and Ms. LIU Hongxia.

The Senior Management of the Bank consisted of seven members, namely Mr. WANG Wei, Mr. CAI Dong, Ms. ZHANG Keqiu, Mr. ZHAN Dongsheng, Mr. CUI Yong, Mr. LI Zhicheng and Mr. ZHOU Wanfu.

As at 30 June 2019, except for Mr. ZHOU Wanfu, the Secretary to the Board of Directors of the Bank, who held 10,000 A Shares of the Bank, none of the incumbent Directors, Supervisors or Senior Management of the Bank or who left office during the reporting period held any share of the Bank. During the reporting period, none of incumbent Directors, Supervisors or Senior Management of the Bank or who left office during the reporting period held any share option, or were granted any restricted shares of the Bank.

Departure of Directors, Supervisors and Senior Management

On 2 January 2019, Mr. GONG Chao ceased to be the Secretary of the Party Discipline Committee of the Bank.

On 9 January 2019, Mr. HU Xiaohui resigned as a Non-executive Director of the Bank due to his age.

On 30 August 2019, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan ceased to be Independent Non-executive Directors of the Bank due to the expiration of their terms of office.

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1 *The term of office of Mr. LIU Chengxu has been expired. In order to meet the requirement that the members of the Supervisors Representing Employees of the Bank shall represent at least one-third of the total members of the Board of Supervisors, Mr. LIU Chengxu continued to perform his duties as a Supervisor Representing Employees.*

Corporate Governance

During the reporting period, the Bank fully complied with the laws and regulations including the *Company Law of the People's Republic of China,* the *Securities Law of the People's Republic of China,* the *Law of the People's Republic of China* on Commercial Banks and the principles and code provisions of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules. The Bank continuously promoted the modernization of its corporate governance system and governance capacities, strengthened the construction of its systems, optimized its organizational structure, made adjustments to the composition of the Board of Directors and consistently improve the efficiency of its corporate governance.

Shareholders' General Meetings

During the reporting period, the Bank held one annual general meeting and one extraordinary general meeting, at which the Bank considered and approved 15 proposals and attended three debriefing sessions in total, details of which are as follows:

On 1 March 2019, the Bank held the first extraordinary general meeting for 2019 in Beijing, at which five proposals were considered and approved, including the fixed assets investment budget for 2019, election of Executive Directors and Non-executive Directors.

On 30 May 2019, the Bank held the 2018 Annual General Meeting in Beijing, at which 10 proposals were considered and approved, including the final financial accounts for 2018 and the profit distribution plan for 2018, and attended three debriefing sessions in respect of the 2018 work report of Independent Non-executive Directors, the report on related party transactions management of the Bank, etc.

The above shareholders' general meetings were convened or held in strict compliance with the laws, regulations and listing rules of Hong Kong and the PRC. The Directors, Supervisors and the senior management of the Bank attended the meetings and discussed with shareholders about matters they concerned. The Bank published the poll results announcements and legal opinions on the above shareholders' general meetings in a timely manner in accordance with regulatory requirements. Such poll results announcements were published on the website of the Hong Kong Stock Exchange on 1 March 2019 and 30 May 2019, respectively, and on the website of the Shanghai Stock Exchange as well as on the media designated by the Bank for information disclosure on 2 March 2019 and 31 May 2019, respectively.

Internal Audit

During the reporting period, the Bank adopted risk-oriented approaches to conduct risk and management audits on the key aspects, including credit business, financial management, intermediate business, and internal control; to carry out specific audits on various aspects, including writing-off of bad debts and reduction of non-performing loans, targeted poverty alleviation, consolidated management at group level, anti-money laundering and sanctions compliance, protection of consumers' rights and overseas institutions; and implement the audit on economic responsibilities of the senior management. The Bank continued to conduct off-site supervision, monitor the rectification of the issues identified during the internal audit, and focus on improving the effectiveness of rectification and supervision. We also promoted the digital transformation of internal audit and reinforced the skills training for audit to effectively improve the capacity of audit and supervision.

Profit and Dividends Distribution

As approved by the 2018 Annual General Meeting of the Bank, the Bank paid cash dividends of RMB0.1739 (tax inclusive) per ordinary share and RMB60,862 million (tax inclusive) in aggregate to holders of ordinary shares whose names appeared on the register of members at the close of business on 18 June 2019. The Bank did not propose to pay any interim dividend for 2019 nor increase share capital by capitalizing its capital reserve.

Material Litigation and Arbitration Matters

During the reporting period, there were no litigation or arbitration matters with material impact on the operations of the Bank.

As at 30 June 2019, the value of the objects of the pending litigation or arbitration matters in which the Bank was involved as a defendant, a respondent or a third party amounted to approximately RMB5,682 million. The management believes that the Bank has made provision in full for potential losses arising from the aforesaid litigation or arbitration matters which will not cause any material adverse effect on the Bank's financial position or operating results.

Major Asset Acquisition, Disposal and Merger

During the reporting period, the Bank did not carry out any major asset acquisition, disposal or merger.

Related Party Transactions

During the reporting period, the Bank applied standardization management to related party transactions, in strict compliance with the regulations issued by the CBIRC and the CSRC as well as the listing rules of Shanghai and Hong Kong. During the reporting period, the related party transactions of the Bank were conducted on normal commercial terms and in accordance with laws and regulations; its pricing for interest rates was subject to the fair commercial principles and actions that damaged the interests of the Bank and minority shareholders were not identified.

During the reporting period, the Bank extended loans to related parties who are natural persons (as defined in the *Administrative Measures for Information Disclosure of Listed Companies* (issued by the CSRC). As at 30 June 2019, the balance of loans amounted to RMB6,336.1 thousand. Such loans were in compliance with its pricing policies stipulated in its business practices and guarantees were provided for such loans.

For the related party transactions as defined in applicable accounting standards, please refer to "Note 43 Related Party Transactions" to the Condensed Consolidated Interim Financial Statements.

During the reporting period, the Bank conducted a slew of connected transactions with the connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions and/or the related party transactions set forth in the Notes to the Financial Statements did not constitute connected transactions under the Hong Kong Listing Rules or satisfy the applicable exemption conditions set out under the Hong Kong Listing Rules, and therefore were fully exempted from compliance with the requirements of reporting, independent shareholders' approval, annual review and all requirements in relation to disclosures.

Use of Proceeds

All the proceeds raised were used to strengthen the Bank's capital base to support the future development of its business as disclosed in the prospectus, offering documents and other documents.

Details and Performance of Material Contracts

Material Custody, Contract and Lease

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

Material Guarantees

Provision of guarantees is one of the regular off-balance-sheet businesses of the Bank in its ordinary and usual course of business. During the reporting period, the Bank did not have any material guarantee that was required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC.

Material Equity Investments Obtained and Material Non-equity Investments in Progress

In July 2018, the Bank entered into the *Promoters' Agreement on National Financing Guarantee Fund Co., Ltd.*, pursuant to which, it will invest RMB3 billion in National Financing Guarantee Fund Co., Ltd., representing a contribution proportion of 4.5386%, which will be paid up annually in four years from 2018. In November 2018, the Bank completed the first contribution of RMB0.75 billion. In June 2019, the Bank completed the second contribution of RMB0.75 billion.

On 26 November 2018, the Board of Directors of the Bank considered and approved the proposed contribution of not exceeding RMB12 billion to establish Agricultural Bank of China Wealth Management Co., Ltd., which will be 100% held by the Bank. In January 2019, the application for the establishment of Agricultural Bank of China Wealth Management Co., Ltd. was approved by the CBIRC. In July 2019, Agricultural Bank of China Wealth Management Co., Ltd was approved to commence operation.

During the reporting period, saved as disclosed above, the Bank did not have any other material equity and non-equity investment.

Commitments

During the reporting period, the Bank did not have any commitment that had been duly fulfilled and completed. As at the end of the reporting period, the Bank did not have any expired commitment that had not been duly performed.

Penalties Imposed on the Bank and its Directors, Supervisors, Senior Management and Controlling Shareholders

During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management or controlling shareholders was investigated by competent authorities, subject to coercive measures imposed by judicial authorities or disciplinary authorities, transferred to judicial authorities for prosecution or held criminally liable, investigated, suffered administrative punishment, barred from the market or disqualified by the CSRC, subject to material administrative punishments imposed by the Administration of Environmental Protection, Work Safety or Taxation or other administrative authorities, or publicly denounced by any stock exchange.

Integrity of the Bank and Controlling Shareholder

There were no judicial decisions in effect not performed, nor any outstanding debt with large amount matured and not paid, by the Bank or its controlling shareholders.

Purchase, Sale or Redemption of the Bank's Shares

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

Implementation of Share Incentive Plan

During the reporting period, the Bank did not implement any share incentive scheme such as share appreciation rights scheme for the management and employee share ownership scheme.

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 had complied with such code of conduct during the reporting period.

Rights of Directors and Supervisors to Acquire Shares or Debentures

As at 30 June 2019, the Bank did not grant any rights to acquire shares or debentures to any Director or Supervisor, nor was any of such rights exercised by any Director or Supervisor. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to obtain benefits by acquiring shares or debentures of the Bank or any other corporations.

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

As at 30 June 2019, 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 they are deemed to have under such provisions of the *Securities and Futures Ordinance* of Hong Kong), or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Interim Review

The 2019 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs was reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the PRC and International Standards on Review Engagements, respectively.

The interim report of the Bank has been reviewed and approved by the Board of Directors and its Audit and Compliance Committee.

Change of External Auditors

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

Consumer Interests Protection

Adhering to the philosophy of "Consistently Putting Customers First", the Bank implemented the protection for consumers' rights and interests into the whole-process of products and services, including the design of products, pricing management, formulation of agreements, approval and access, marketing and promotion, after-sale management, and dealing with complaints, in order to ensure that consumers are treated with fairness, justice and integrity. The Bank has formulated and published privacy policy and optimized the mechanisms related to personal information protection, to ensure the security of personal information of customers. The Bank carried out the "Year of Improvement for Transformation and Services" activity to promote the improvement of network services and customer experience. The Bank advanced to implement the professional standard related to classification of complaints from financial consumers, to make the normalisation and standardisation complaints management. The Bank conducted activities to publicise and popularise specific financial knowledge, to improve the financial literacy of the consumers.

Targeted Poverty Alleviation

For the details of targeted poverty alleviation carried out by the Bank during the reporting period, please refer to "Discussion and Analysis — County Area Banking Business — Financial Poverty Alleviation".

Issuance and Redemption of Capital Bonds

For the details of issuance and redemption of capital bonds of the Bank, please refer to "Discussion and Analysis — Capital Management — Management of Capital Financing".

Appendix I Capital Adequacy Ratio Information

Pursuant to the *Capital Rules for Commercial Banks (Provisional),* the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policy Documents for the Capital Regulation of Commercial Banks* and other regulatory requirements, the Bank discloses the following information.

I. Capital Adequacy Ratio Information

As of 30 June 2019, given relevant rules is in the parallel implementation period, the Bank's capital adequacy ratio, Tier 1 capital adequacy ratio and CET 1 capital adequacy ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 15.48%, 11.67% and 11.13%, respectively, and were in compliance with the regulatory requirements. During the first half of 2019, the Bank conducted the issue of Tier 2 capital bonds of RMB120 billion in PRC inter-banks securities market. The Bank proactively optimized and adjusted structure of assets. Accordingly, the growth rate of net capital was higher than that of risk-weighted assets, leading to a increase of 0.36 percentage point in capital adequacy ratio as compared to the end of 2018.

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 covers all the domestic and overseas branches of the Bank.

III. Capital Adequacy Ratio and Risk-weighted Assets

According to the application scope of the advanced approach of capital management as approved by the regulatory bodies, 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, weighting approach for credit risk-weighted assets uncovered by IRB approach. Internal Model Approach (IMA) was adopted to measure market risk-weighted assets. Standardized Approach (SA) was adopted to measure market risk-weighted assets uncovered by IMA. Standardized Approach was adopted to measure operational risk-weighted assets.

Appendix I Capital Adequacy Ratio Information

In millions of RMB, except for percentages

Item	30 June 2019		31 December 2018	
	The Group	**The Bank**	The Group	The Bank
CET 1 capital, net	**1,644,972**	**1,606,069**	1,583,927	1,552,180
Additional Tier 1 capital, net	**79,906**	**79,899**	79,906	79,899
Tier 1 capital, net	**1,724,878**	**1,685,968**	1,663,833	1,632,079
Tier 2 capital, net	**562,071**	**562,567**	409,510	407,681
Net capital	**2,286,949**	**2,248,535**	2,073,343	2,039,760
Risk-weighted assets	**14,774,429**	**14,438,377**	13,712,894	13,496,681
Credit risk-weighted assets	**13,670,069**	**13,350,061**	12,621,847	12,419,843
Portion covered by IRB	**9,316,982**	**9,316,982**	8,784,058	8,784,058
Portion uncovered by IRB	**4,353,087**	**4,033,079**	3,837,789	3,635,785
Market risk-weighted assets	**140,626**	**133,773**	127,313	122,295
Portion covered by IMA	**127,751**	**127,751**	117,183	117,183
Portion uncovered by IMA	**12,875**	**6,022**	10,130	5,112
Operational risk-weighted assets	**963,734**	**954,543**	963,734	954,543
Additional risk-weighted assets due to the requirement of the capital floor	**–**	**–**	–	–
CET 1 capital adequacy ratio	**11.13%**	**11.12%**	11.55%	11.50%
Tier 1 capital adequacy ratio	**11.67%**	**11.68%**	12.13%	12.09%
Capital adequacy ratio	**15.48%**	**15.57%**	15.12%	15.11%

IV. Risk Exposure

(I) Credit Risk

The following tables set out the credit risk exposure of the Bank calculated according to the foundation internal rating-based (IRB) approach for non-retail exposures, IRB approach for retail exposures and weighting approach.

In millions of RMB

Item	**30 June 2019** Risk exposures	**30 June 2019** Risk-weighted assets	31 December 2018 Risk exposures	31 December 2018 Risk-weighted assets
Credit risk covered by IRB approach[1]	**14,708,693**	**8,259,915**	13,902,961	7,672,693
Non-retail credit risk	**9,807,047**	**7,015,779**	9,338,776	6,532,508
Retail credit risk	**4,849,479**	**1,220,688**	4,547,894	1,134,836
Counterparty credit risk	**52,167**	**23,448**	16,291	5,349

Note: 1. Regulatory calibration is not included.

In millions of RMB

Item	**30 June 2019** Risk exposures	**30 June 2019** Risk-weighted assets	31 December 2018 Risk exposures	31 December 2018 Risk-weighted assets
Credit risk uncovered by IRB approach	**11,311,963**	**4,353,087**	10,521,782	3,837,789
On-balance sheet credit risk	**9,921,536**	**3,215,620**	9,216,350	2,621,880
of which: asset securitization	**26,019**	**102,890**	16,320	60,761
Off-balance sheet credit risk	**1,338,445**	**1,084,049**	1,295,099	1,203,923
Counterparty credit risk	**51,982**	**53,418**	10,333	11,986

Please refer to "Discussion and Analysis — Risk Management and Internal Control" in 2019 Interim Report for details of overdue loans, non-performing loans and loan loss provisions of the Bank.

(II) Market Risk

The Bank calculated the capital requirement of market risk by using the Internal Model Approach (IMA), of which uncovered portion measured by standardized approach. As of 30 June 2019, the capital requirements of all types of market risks of the Bank are shown in the following table.

In millions of RMB

Item	Capital requirements	
	30 June 2019	31 December 2018
Portion covered by IMA	**10,220**	9,375
Portion covered by standardized approach	**1,030**	810
Interest rate risk	**522**	493
Equity risk	**–**	–
Foreign exchange risk	**508**	317
Commodity risk	**–**	–
Option risk	**–**	–
Total	**11,250**	10,185

The Bank adopted historical simulation method with a 99% confidence interval based on a holding period of 10 days and historical observation period for one year to calculate the value-at-risk (VaR) and stressed VaR. VaR and stressed VaR respectively reflect the maximum losses under a certain probability that are calculated according to recent historical scenarios and historical scenarios in one year that have constituted significant stress on the Bank's assets. As of 30 June 2019, the Bank's VaR and stressed VaR under IMA of market risk are shown in the following table.

In millions of RMB

Item	30 June 2019			
	Average	Highest	Lowest	Period end
Value at risk (VaR)	1,178	1,561	942	1,282
Stressed value at risk (Stressed VaR)	1,975	2,414	1,694	2,116

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 2019	Risk exposures of publicly traded equity[1] 31 December 2018	Risk exposures of non-publicly traded equity[1] 30 June 2019	Risk exposures of non-publicly traded equity[1] 31 December 2018	Unrealized profit or loss on potential risk[2] 30 June 2019	Unrealized profit or loss on potential risk[2] 31 December 2018
Financial institutions	**3,780**	3,197	**2,738**	2,657	**1,116**	452
Companies	**1,200**	1,356	**40,110**	34,521	**832**	257
Total	**4,980**	4,553	**42,848**	37,178	**1,948**	709

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

2. Unrealized profit or loss on potential risk refers to the 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 and Internal Control" for details of interest rate risk of the Bank.

(III) Operational Risk

The Bank adopted standardized approach to measure the regulatory capital for operational risk. As of the end of June 2019, the regulatory capital requirement for the Group was RMB77,099 million, and for the Bank was RMB76,363 million.

Please refer to "Discussion and Analysis — Risk Management and Internal Control" in 2019 Interim Report for details of operational risk management.

V. Contrast between Regulatory Consolidation and Financial Consolidation

The Bank compiled the balance sheet within the scope of 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 Policies for the Capital Regulation of Commercial Banks.* The contrast between the items of regulatory consolidation and financial consolidation is shown in the table below.

In millions of RMB

Item	30 June 2019 Financial Consolidation	30 June 2019 Regulatory Consolidation	31 December 2018 Financial Consolidation	31 December 2018 Regulatory Consolidation	Code
Assets					
Cash and balances at central banks	**2,556,509**	**2,556,527**	2,805,107	2,805,091	A01
Deposits with banks and other financial institutions	**214,962**	**206,806**	109,728	102,383	A02
Placements with and loans to banks and other financial institutions	**461,315**	**461,315**	552,013	552,013	A03
Financial investments at fair value through profit or loss	**697,392**	**672,816**	643,245	621,621	A04
Derivative financial assets	**18,207**	**18,207**	36,944	36,944	A05
Financial assets held under resale agreement	**321,801**	**321,801**	371,001	370,305	A06
Loans and advances to customers	**12,475,790**	**12,474,824**	11,461,542	11,460,700	A07
Debt instrument investments at amortized cost	**4,756,098**	**4,736,637**	4,503,698	4,482,269	A08
Other debt instrument investments and other equity investments at fair value through other comprehensive income	**1,834,324**	**1,806,018**	1,738,132	1,708,259	A09
Long term equity investment	**4,962**	**8,814**	4,005	7,857	A10
Fixed assets	**147,969**	**147,418**	152,452	151,885	A11
Land use rights	**20,402**	**20,402**	20,804	20,804	A12
Deferred tax assets	**123,961**	**123,961**	113,293	113,293	A13
Goodwill	**1,381**	**—**	1,381	—	A14
Intangible assets	**2,753**	**2,563**	2,771	2,573	A15
Other assets	**337,327**	**348,016**	93,355	92,358	A16
Total assets	**23,975,153**	**23,906,125**	22,609,471	22,528,355	A00

Appendix I Capital Adequacy Ratio Information

In millions of RMB

Item	30 June 2019 Financial Consolidation	30 June 2019 Regulatory Consolidation	31 December 2018 Financial Consolidation	31 December 2018 Regulatory Consolidation	Code
Liabilities					
Borrowings from central bank	**470,063**	**470,063**	561,195	561,195	L01
Deposits from banks and other financial institutions	**1,273,883**	**1,286,089**	1,124,322	1,124,380	L02
Placements from banks and other financial institutions	**348,650**	**348,650**	325,541	325,541	L03
Financial liabilities at fair value through profit or loss	**235,708**	**235,708**	286,303	286,303	L04
Financial assets sold under repurchase agreements	**51,257**	**49,465**	157,101	150,049	L05
Deposits from customers	**18,529,174**	**18,529,227**	17,346,290	17,346,346	L06
Derivative financial liabilities	**31,660**	**31,660**	34,554	34,554	L07
Debt securities issued	**912,386**	**908,802**	780,673	777,000	L08
Employee salary payables	**43,823**	**43,523**	45,285	44,987	L09
Taxes payables	**38,142**	**38,089**	56,816	56,764	L10
Dividend payables	**767**	**767**	N/A	N/A	L11
Deferred tax liabilities	**120**	**120**	139	139	L12
Provisions	**26,563**	**26,563**	25,883	25,883	L13
Other liabilities	**274,822**	**203,068**	190,582	122,140	L14
Total liabilities	**22,237,018**	**22,171,794**	20,934,684	20,855,281	L00
Equity					
Ordinary shares	**349,983**	**349,983**	349,983	349,983	E01
Other equity instruments	**79,899**	**79,899**	79,899	79,899	E02
Capital reserve	**173,556**	**173,556**	173,556	173,556	E03
Surplus reserve	**154,298**	**154,295**	154,257	154,254	E04
General reserve	**277,080**	**277,080**	239,190	239,190	E05
Undistributed profits	**673,396**	**673,226**	652,944	653,979	E06
Minority interests	**5,468**	**2,076**	4,493	1,858	E07
Other comprehensive income	**24,455**	**24,216**	20,465	20,355	E08
of which: Foreign currency translation reserve	**1,626**	**1,626**	1,473	1,473	E09
Total equity	**1,738,135**	**1,734,331**	1,674,787	1,673,074	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 2019	31 December 2018	Code
CET 1 capital				
1	Paid-in capital	**349,983**	349,983	E01
2	Retained earnings	**1,104,601**	1,047,423	
2a	Surplus reserve	**154,295**	154,254	E04
2b	General reserve	**277,080**	239,190	E05
2c	Undistributed profits	**673,226**	653,979	E06
3	Accumulated other comprehensive income and disclosed reserve	**197,772**	193,911	
3a	Capital reserve	**173,556**	173,556	E03
3b	Others	**24,216**	20,355	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")	**–**	–	
5	Common share capital issued by subsidiaries and held by third parties	**57**	59	
6	**CET 1 capital before regulatory adjustments**	**1,652,413**	1,591,376	
CET 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	**–**	–	
8	Goodwill (net of deferred tax liability)	**–**	–	A14
9	Other intangible assets other than land use rights (net of deferred tax liability)	**2,563**	2,573	A15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**10**	9	
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	**–**	–	
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 assets that rely on future profitability of the bank	**–**	–	

Appendix I Capital Adequacy Ratio Information

Item		30 June 2019	31 December 2018	Code
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	**4,868**	4,867	
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**	**7,441**	7,449	
29	**CET 1 capital**	**1,644,972**	1,583,927	
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	**7**	7	
35	of which: instruments issued by subsidiaries subject to phase out	**–**	–	
36	**Additional Tier 1 capital before regulatory adjustments**	**79,906**	79,906	
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**	**–**	–	

Item		30 June 2019	31 December 2018	Code
44	**Additional Tier 1 capital**	**79,906**	79,906	
45	**Tier 1 capital (CET 1 capital + Additional Tier 1 capital)**	**1,724,878**	1,663,833	
Tier 2 capital				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	**274,887**	169,910	
47	of which: Directly issued capital instruments subject to phase out from Tier 2	**45,000**	60,000	
48	Tier 2 instruments (and CET 1 and AT 1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**15**	15	
49	of which: Portions not given recognition after the transition period	**–**	–	
50	Excess loan loss provisions	**287,169**	239,585	
51	**Tier 2 capital before regulatory adjustments**	**562,071**	409,510	
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	**–**	–	
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**	**562,071**	409,510	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	**2,286,949**	2,073,343	
60	**Total risk weighed assets**	**14,774,429**	13,712,894	
Capital adequacy ratios and reserve capital requirements				
61	CET 1 capital adequacy ratio	**11.13%**	11.55%	
62	Tier 1 capital adequacy ratio	**11.67%**	12.13%	
63	Capital adequacy ratio	**15.48%**	15.12%	
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-SIBs buffer requirement	**1.00%**	1.00%	
68	CET 1 capital available to meet buffers (as a percentage of risk weighted assets)	**5.67%**	6.13%	
National minimum				
69	CET 1 minimum ratio	**5%**	5%	
70	Tier 1 minimum ratio	**6%**	6%	
71	Total capital minimum ratio	**8%**	8%	

Item	30 June 2019	31 December 2018	Code
Amounts not deducted from the thresholds for deduction			
72 Non-significant investments in the capital of financial institutions outside the scope of consolidation	**83,280**	74,597	
73 Significant investments in the common stock of financial institutions outside the scope of consolidation	**625**	655	
74 Mortgage servicing rights (net of related tax liability)	**N/A**	N/A	
75 Other net deferred tax assets that rely on the Bank's future profitability (net of deferred tax liabilities)	**123,831**	113,145	
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	**48,402**	39,354	
77 The caps of provision eligible for inclusion in Tier 2 capital excess loan loss under the Weighting Approach	**53,809**	47,480	
78 Provisions for excess loan loss actually provided under the Internal Ratings-Based approach	**238,766**	200,231	
79 The caps of provision eligible for inclusion in Tier 2 capital excess loan loss under the Internal Ratings-Based Approach	**238,766**	200,231	
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	**45,000**	60,000	
85 Amount excluded from Tier 2 capital due to transitional arrangements	**55,000**	65,000	

VII. Main Features of Eligible Capital Instruments

As of 30 June 2019, the eligible capital instruments of the Bank included common stocks, preference shares and Tier 2 capital instrument. In 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. 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. In November 2014 and March 2015, the Bank issued 800 million preference shares with two issuances, with RMB80 billion raised. All of the raised funds after deducting issue expenses are used to replenish Additional Tier 1 capital. In June 2018, the Bank conducted a private issue of 25,188,916,873 A Shares to raise RMB100 billion. All of the raised funds after deducting issue expenses are used to replenish CET 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)*, the amount of conventional subordinated bonds that can be included in regulatory capital shall be reduced year by year from 2013, and as of 30 June 2019, the aggregate amount that could be included in Tier 2 capital was RMB45 billion. In August 2014, the Bank issued tier 2 capital bonds amounting to RMB30 billion in the PRC inter-bank bond market, which was all included in Tier 2 capital. The Bank issued tier-2 capital bonds amounting to RMB80 billion in the PRC inter-bank bond market in two tranches, in October 2017 and in April 2018, respectively, and the raised funds after deducting issue expenses were all included into Tier 2 capital. Besides, the Bank issued tier 2 capital bonds amounting to RMB120 billion in the PRC inter-bank bond market in March 2019 and April 2019, respectively, and RMB120 billion raised from these two issuances after deducting issue expenses was all included into Tier 2 capital.

In addition, the Bank issued 2019 undated tier 1 capital bonds (first tranche) amounting to RMB85 billion in the PRC inter-bank bond market in August 2019, and the raised funds after deducting issue expenses were all included into additional Tier 1 capital.

Appendix I Capital Adequacy Ratio Information

The following table sets forth the main features of eligible capital instruments of the Bank as of 30 June 2019.

	Item	Ordinary shares of A Shares	Ordinary shares of H Shares	Preference shares	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	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	Agricultural Bank of China Limited	Agricultural Bank of China Limited	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	1728018	1828002	1928003	1928004	1928008	1928009
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", "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 PRC Inter-bank Bond Market", 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 PRC Inter-bank Bond Market", 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 PRC Inter-bank Bond Market", 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 PRC Inter-bank Bond Market", 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 PRC Inter-bank Bond Market", 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 PRC Inter-bank Bond Market", 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 PRC 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	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 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	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 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	The Bank and the Group	The Bank and 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	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
8	Recognized in regulatory capital (in million of RMB, most recent reporting date)	319,244	30,739	79,899	30,000	39,960	39,958	9,997	49,987	19,995	39,990
9	Par value	RMB1	RMB1	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Liability	Liability	Liability	Liability	Liability	Liability	Liability

	Item	Ordinary shares of A Shares	Ordinary shares of H Shares	Preference shares	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
11	Original date of issuance	2010-07-15 and 2018-06-26	2010-07-16	2014-10-31 and 2015-03-06	2014-08-18	2017-10-17	2018-4-27	2019-3-19	2019-3-19	2019-4-11	2019-4-11
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	of which: Original maturity dates	No maturity date	No maturity date	No maturity date	2024-08-18	2027-10-17	2028-4-27	2034-3-19	2029-3-19	2034-4-11	2029-4-11
14	Issuer call subject to prior regulatory approval	No	No	No	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount (in million of RMB)	–	–	–	2019-08-18, redemption amount 30,000	2022-10-17, redemption amount 40,000	2023-4-27, redemption amount 40,000	2029-3-19, redemption amount 10,000	2024-3-19, redemption amount 50,000	2029-4-11, redemption amount 20,000	2024-4-11, redemption amount 40,000
16	of which: Subsequent call dates, if applicable	–	–	–	–	–	–	–	–	–	–
	Bonus or Dividends										
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 per year at an agreed fixed coupon rate during each dividend adjustment period.	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	of which: Coupon rate and any related index	Subject to the Board's decision concerning dividends distribution	Subject to the Board's decision concerning dividends distribution	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%	4.45%	4.45%	4.53%	4.28%	4.63%	4.30%
19	of which: Existence of a dividend stopper	No	No	Yes	No	No	No	No	No	No	No
20	of which: Whether fully discretionary in cancellation of bonus or dividend or not	Full discretionary	Full discretionary	Full discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary
21	of which: Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or nonconvertible	No	No	Yes	No	No	No	No	No	No	No

	Item	Ordinary shares of A Shares	Ordinary shares of H Shares	Preference shares	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
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. (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 CBIRC considers that the Bank could not survive in case no conversion will be carried out; and 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 CBIRC 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.	–	–	–	–	–	–	–

	Item	Ordinary shares of A Shares	Ordinary shares of H Shares	Preference shares	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
25	of which: If convertible, fully or partially	–	–	Fully or partially	–	–	–	–	–	–	–
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: 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);	–	–	–	–	–	–	–

Item	Ordinary shares of A Shares	Ordinary shares of H Shares	Preference shares	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
			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. 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. In 2018, the Bank conducted a private issue of ordinary shares of A Shares to specified subscribers, with RMB100 billion raised. On the basis of the calculation of mandatory conversion price of the first and the second batch of preference shares according to the formula of adjustment as stated under the terms of prospectus in relation to issue of preference shares, the mandatory conversion price of the first and the second batch of preference shares issued by the Bank has been adjusted to RMB2.46 per share from RMB2.43 per share.							

Appendix I Capital Adequacy Ratio Information

	Item	Ordinary shares of A Shares	Ordinary shares of H Shares	Preference shares	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
27	of which: If convertible, mandatory conversion or not	–	–	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	Yes	Yes	Yes	Yes	Yes	Yes
31	of which: If write-down, write-down trigger(s)	–	–	–	A trigger refers to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive in case no write-down will be carried out; and (2) a relevant authority considers that the issuer could not survive in case there is no capital injection from public departments or no provision of support with the same effectiveness.	A trigger refers to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive in case no write-down will be carried out; and (2) a relevant authority considers that the issuer could not survive in case there is no capital injection from public departments or no provision of support with the same effectiveness.	A trigger refers to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive in case no write-down will be carried out; and (2) a relevant authority considers that the issuer could not survive in case there is no capital injection from public departments or no provision of support with the same effectiveness.	A trigger refers to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive in case no write-down will be carried out; and (2) a relevant authority considers that the issuer could not survive in case there is no capital injection from public departments or no provision of support with the same effectiveness.	A trigger refers to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive in case no write-down will be carried out; and (2) a relevant authority considers that the issuer could not survive in case there is no capital injection from public departments or no provision of support with the same effectiveness.	A trigger refers to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive in case no write-down will be carried out; and (2) a relevant authority considers that the issuer could not survive in case there is no capital injection from public departments or no provision of support with the same effectiveness.	A trigger refers to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive in case no write-down will be carried out; and (2) a relevant authority considers that the issuer could not survive in case there is no capital injection from public departments or no provision of support with the same effectiveness.
32	of which: If write-down, full or partial	–	–	–	Full write-down	Full write-down	Full write-down	Full write-down	Full write-down	Full write-down	Full write-down
33	of which: If write-down, permanent or temporary	–	–	–	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	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	Subordinate to the depositors and creditors, and prior to equity capital and other Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and other Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and other Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and other Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and other Tier 1 capital instrument	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	No	No	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 CBIRC.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC, it is required that the liquidity coverage ratio of commercial banks should be no less than 100%. 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 the frequency at which they issue the financial report, and to disclose the simple arithmetic average of the liquidity coverage ratios based on daily data in every quarter from 2017 and the number of daily data adopted in calculation of such average.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable calculation requirements. The average of daily liquidity coverage ratio of the Bank was 123.2% in the second quarter of 2019, representing a decrease of 17.4 percentage points over the previous quarter, and 91 numerical values of liquidity coverage ratios were used in calculating such average. Our high-quality liquid assets are mainly cash, excess reserve with the central bank able to be withdrawn under stress conditions, and securities falling within the Level 1 and Level 2 assets as defined in the Rules on Liquidity Risk Management of Commercial Banks.

Appendix II Liquidity Coverage Ratio Information

The averages of the daily liquidity coverage ratio and individual line items over the second quarter in 2019 are as follows:

In millions of RMB, except for percentages

Item		Unweighted value by residual maturity	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		4,756,518
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	11,428,245	1,057,601
3	*Stable deposits*	1,704,424	85,219
4	*Less Stable deposits*	9,723,821	972,382
5	Unsecured wholesale funding, of which:	6,943,651	2,753,916
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	2,353,778	575,461
7	*Non-operational deposits (all counterparties)*	4,551,899	2,140,481
8	*Unsecured debt*	37,974	37,974
9	Secured wholesale funding		6,430
10	Additional requirements, of which:	2,492,298	811,382
11	*Outflows related to derivative exposures and other collateral requirements*	672,442	672,415
12	*Outflows related to loss of funding on debt products*	13	13
13	*Credit and liquidity facilities*	1,819,843	138,954
14	Other contractual funding obligations	318,306	318,306
15	Other contingent funding obligations	1,169,666	50,210
16	TOTAL CASH OUTFLOWS		4,997,845
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	314,243	311,240
18	Inflows from fully performing exposures	908,466	445,726
19	Other cash inflows	709,878	709,878
20	TOTAL CASH INFLOWS	1,932,587	1,466,844
			Total Adjusted Value
21	TOTAL HQLA		4,346,173
22	TOTAL NET CASH OUTFLOWS		3,531,001
23	LIQUIDITY COVERAGE RATIO (%)		123.2%

Appendix III Leverage Ratio Information

As at 30 June 2019, the Bank's leverage ratio, calculated in accordance with the *Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* by the CBIRC, was 6.60%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	30 June 2019	31 March 2019	31 December 2018	30 September 2018
Tier 1 capital, net	**1,724,878**	1,725,849	1,663,833	1,623,903
Adjusted on-and off-balance sheet assets	**26,148,038**	25,565,737	24,611,669	24,330,241
Leverage ratio	**6.60%**	6.75%	6.76%	6.67%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	23,975,153
2	Adjustment for consolidation	(69,028)
3	Adjustment for clients' assets	–
4	Adjustment for derivatives	56,170
5	Adjustment for securities financing transactions	–
6	Adjustment for off-balance sheet items	2,193,184
7	Other adjustments	(7,441)
8	**Adjusted on-and off-balance sheet assets**	**26,148,038**

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	23,566,117
2	Less: Deductions from Tier 1 capital	(7,441)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	**23,558,676**
4	Replacement cost of all derivatives (net of eligible margin)	17,815
5	Potential risk exposure of all derivatives	56,722
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	(268)
8	Less: Derivative assets resulting from transactions with the central counterparty when providing clearance services to client	–
9	Notional principal amount of written credit derivatives	108
10	Less: Deductible amounts of written credit derivative assets	–
11	**Derivative assets**	**74,377**
12	Securities financing transaction assets for accounting purpose	321,801
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**	**321,801**
17	Off-balance sheet items	4,261,701
18	Less: Adjustments for conversion to credit equivalent amounts	(2,068,517)
19	**Adjusted off-balance sheet items**	**2,193,184**
20	Tier 1 capital, net	1,724,878
21	Adjusted on-and off-balance sheet assets	26,148,038
22	**Leverage ratio**	**6.60%**

Appendix IV Net Stable Funding Ratio Information

The Bank disclosed the following information of net stable funding ratio in accordance with relevant regulations of the CBIRC.

Regulatory Requirements of Net Stable Funding Ratio

In accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC, it is required that the net stable funding ratio of commercial banks should be no less than 100%. In addition, as required by the Rules on Disclosure of Net Stable Funding Ratio Information of Commercial Banks, commercial banks shall disclose the net stable funding ratio information of the latest two quarters in a financial report or on their official websites on a semiannual basis at least.

Net Stable Funding Ratio

The Bank calculated net stable funding ratio in accordance with the Rules on Liquidity Risk Management of Commercial Banks and applicable statistical requirements. The net stable funding ratio of the Bank in the fourth quarter of 2018 was 127.4%, with a weighted value of RMB15,646.9 billion for available stable funds and a weighted value of RMB12,282.2 billion for required stable funds. In the first quarter of 2019, the net stable funding ratio increased by 1.4 percentage points to 128.8% compared to the previous quarter, with a weighted value of RMB16,497.3 billion for available stable funds and a weighted value of RMB12,811.5 billion for required stable funds. In the second quarter of 2019, the net stable funding ratio increased by 0.8 percentage point to 129.6% compared to the previous quarter, with a weighted value of RMB16,662.9 billion for available stable funds and a weighted value of RMB12,860.8 billion for required stable funds.

Appendix IV Net Stable Funding Ratio Information

The net stable funding ratios of the fourth quarter of 2018, the first quarter of 2019 and the second quarter of 2019 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the Fourth Quarter of 2018

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	1,670,984	–	–	169,910	1,840,893
2	Regulatory capital	1,670,984	–	–	109,910	1,780,893
3	Other capital instruments	–	–	–	60,000	60,000
4	Retail deposits and deposits from small business customers	8,808,917	2,017,353	245	311	9,834,799
5	Stable deposits	1,812,490	–	–	–	1,721,866
6	Less stable deposits	6,996,427	2,017,353	245	311	8,112,934
7	Wholesale funding	5,948,114	2,006,772	439,316	272,707	3,815,783
8	Operational deposits	2,071,730	–	–	–	1,035,865
9	Other wholesale funding	3,876,383	2,006,772	439,316	272,707	2,779,918
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	4,647	1,331,506	77,248	136,315	155,442
12	NSFR derivative liabilities				19,498	–
13	All other liabilities and equity not included in the above categories	4,647	1,331,506	77,248	116,818	155,442
14	Total ASF					15,646,917
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					710,729
16	Deposits held at other financial institutions for operational purpose	597	80,872	60	–	40,764
17	Performing loans and securities	991	2,642,008	1,918,878	8,118,060	9,048,610
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	947	310,206	276,933	105,261	290,400
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	43	2,182,708	1,498,212	4,238,152	5,402,349

Appendix IV Net Stable Funding Ratio Information

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	43	508,012	52,284	190,178	401,185
22	Performing residential mortgages, of which:	–	86,235	87,160	3,486,465	3,050,163
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	41	122	155	183
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	62,858	56,572	288,183	305,699
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	152,865	431,163	680,566	1,161,018	2,356,514
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				859	730
29	NSFR derivative assets				49,680	30,183
30	NSFR derivative liabilities before deduction of variation margin posted[1]				5,984	5,984
31	All other assets not included in the above categories	152,865	431,163	680,566	1,110,478	2,319,618
32	Off-balance sheet items				3,359,529	125,606
33	Total RSF					12,282,224
34	Net stable funding ratio (%)					127.4%

[1] *In the unweighted cell, the amount of derivative liabilities is reported, that is, the proportion of NSFR derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted item 30 is not included in the unweighted item 26 "other assets" aggregate.*

Appendix IV Net Stable Funding Ratio Information

Net Stable Funding Ratio of the First Quarter of 2019

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	1,733,219	–	–	214,914	1,948,133
2	Regulatory capital	1,733,219	–	–	169,914	1,903,133
3	Other capital instruments	–	–	–	45,000	45,000
4	Retail deposits and deposits from small business customers	9,766,765	1,657,519	358	291	10,371,408
5	Stable deposits	1,778,789	–	–	–	1,689,850
6	Less stable deposits	7,987,975	1,657,519	358	291	8,681,558
7	Wholesale funding	6,284,700	1,606,598	399,279	307,734	4,004,447
8	Operational deposits	2,240,918	–	–	–	1,120,459
9	Other wholesale funding	4,043,782	1,606,598	399,279	307,734	2,883,988
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	5,203	1,735,626	101,714	137,746	173,322
12	NSFR derivative liabilities				15,281	–
13	All other liabilities and equity not included in the above categories	5,203	1,735,626	101,714	122,465	173,322
14	Total ASF					16,497,310
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					639,076
16	Deposits held at other financial institutions for operational purpose	640	130,803	27,976	–	79,710
17	Performing loans and securities	302	3,399,456	2,167,285	8,591,759	9,696,697
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	296	1,053,556	286,121	126,341	427,540
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	5	2,209,474	1,719,808	4,556,232	5,796,604
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	561,941	59,926	201,951	441,680

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
22	Performing residential mortgages, of which:	1	87,522	89,877	3,623,132	3,168,331
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	1	63	87	159	180
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	48,904	71,480	286,054	304,222
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	82,738	427,968	651,050	1,097,222	2,243,596
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				876	745
29	NSFR derivative assets				24,213	8,931
30	NSFR derivative liabilities before deduction of variation margin posted[2]				5,087	5,087
31	All other assets not included in the above categories	82,738	427,968	651,050	1,072,134	2,228,833
32	Off-balance sheet items				3,191,717	152,387
33	Total RSF					12,811,466
34	Net stable funding ratio (%)					128.8%

[2] *In the unweighted cell, the amount of derivative liabilities is reported, that is, the proportion of NSFR derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted item 30 is not included in the unweighted item 26 "other assets" aggregate.*

Appendix IV Net Stable Funding Ratio Information

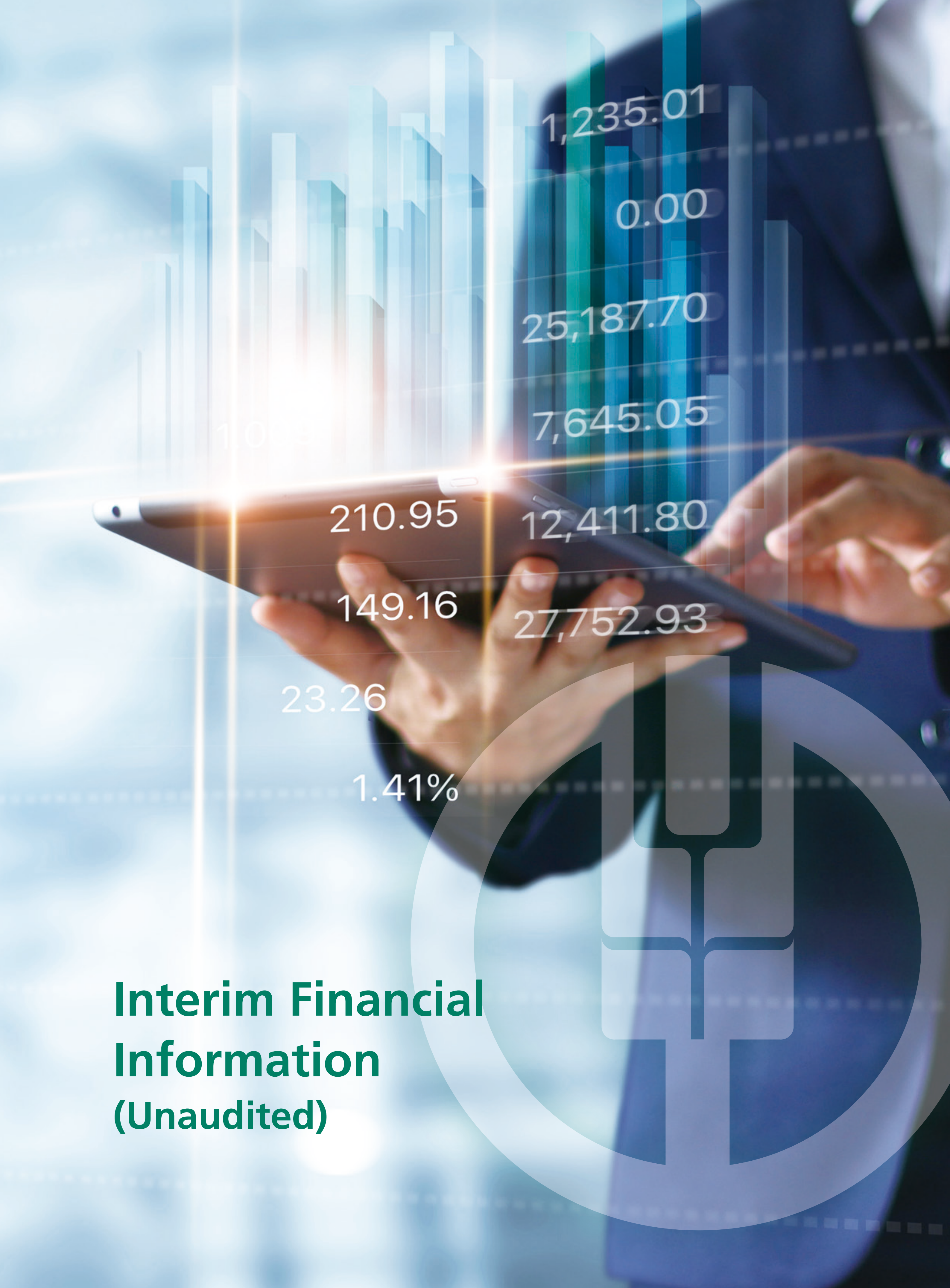
Net Stable Funding Ratio of the Second Quarter of 2019

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	1,732,910	–	–	274,887	2,007,797
2	Regulatory capital	1,732,910	–	–	229,887	1,962,797
3	Other capital instruments	–	–	–	45,000	45,000
4	Retail deposits and deposits from small business customers	9,856,145	1,551,680	212	35	10,351,017
5	Stable deposits	1,674,979	–	–	–	1,591,230
6	Less stable deposits	8,181,166	1,551,680	212	35	8,759,787
7	Wholesale funding	6,591,988	1,829,444	270,243	342,542	4,110,741
8	Operational deposits	2,410,356	–	–	–	1,205,178
9	Other wholesale funding	4,181,632	1,829,444	270,243	342,542	2,905,563
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	12	1,580,234	125,972	129,356	193,379
12	NSFR derivative liabilities				(1,037)	–
13	All other liabilities and equity not included in the above categories	12	1,580,234	125,972	130,393	193,379
14	Total ASF					16,662,935
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					664,933
16	Deposits held at other financial institutions for operational purpose	512	115,501	90,834	–	103,423
17	Performing loans and securities	3,197	3,069,115	2,177,651	8,791,676	9,857,513
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	84,215	84,215
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	787	631,750	235,787	46,960	259,734
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	5	2,276,539	1,781,734	4,625,429	5,920,351
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	591,656	62,589	180,729	438,481

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
22	Performing residential mortgages, of which:	1	88,844	90,848	3,739,230	3,268,172
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	1	59	156	101	174
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,404	71,982	69,281	295,843	325,041
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	96,498	655,686	661,281	823,331	2,073,745
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				882	750
29	NSFR derivative assets				11,846	12,883
30	NSFR derivative liabilities before deduction of variation margin posted[3]				3,164	3,164
31	All other assets not included in the above categories	96,498	655,686	661,281	810,603	2,056,948
32	Off-balance sheet items				3,374,079	161,172
33	Total RSF					12,860,785
34	Net stable funding ratio (%)					129.6%

[3] *In the unweighted cell, the amount of derivative liabilities is reported, that is, the proportion of NSFR derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted item 30 is not included in the unweighted item 26 "other assets" aggregate.*



Interim Financial Information
(Unaudited)

pwc

羅兵咸永道

To the Board of Directors of Agricultural Bank of China Limited

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

Introduction

We have reviewed the interim financial information set out on pages 125 to 249, 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 2019 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of 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 of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2019

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Interest income	6	**421,570**	378,294
Interest expense	6	**(183,938)**	(144,461)
Net interest income	6	**237,632**	233,833
Fee and commission income	7	**57,296**	48,496
Fee and commission expense	7	**(6,397)**	(4,859)
Net fee and commission income	7	**50,899**	43,637
Net trading gain	8	**12,231**	7,806
Net gain on financial investments	9	**1,080**	4,076
Net gain on derecognition of financial assets measured at amortized cost		**–**	2
Other operating income	10	**22,625**	18,596
Operating income		**324,467**	307,950
Operating expenses	11	**(105,153)**	(99,961)
Credit impairment losses	12	**(73,475)**	(66,417)
Impairment losses on other assets		**48**	(26)
Operating profit		**145,887**	141,546
Share of result of associates and joint ventures		**(25)**	6
Profit before tax		**145,862**	141,552
Income tax expense	13	**(23,490)**	(25,576)
Profit for the period		**122,372**	115,976
Attributable to:			
Equity holders of the Bank		**121,445**	115,789
Non-controlling interests		**927**	187
		122,372	115,976
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share) — Basic and diluted	15	**0.34**	0.35

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 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period	**122,372**	115,976
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on financial assets at fair value through other comprehensive income	**1,784**	13,314
Loss allowance on financial assets at fair value through other comprehensive income	**3,097**	(952)
Income tax impact for fair value changes and loss allowance on financial assets at fair value through other comprehensive income	**(1,194)**	(2,727)
Foreign currency translation differences	**153**	342
Subtotal	**3,840**	9,977
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	**266**	161
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**(68)**	(40)
Subtotal	**198**	121
Other comprehensive income, net of tax	**4,038**	10,098
Total comprehensive income for the period	**126,410**	126,074
Total comprehensive income attributable to:		
Equity holders of the Bank	**125,435**	125,594
Non-controlling interests	**975**	480
	126,410	126,074

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 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
Assets			
Cash and balances with central banks	16	**2,556,509**	2,805,107
Deposits with banks and other financial institutions	17	**214,962**	109,728
Precious metals		**138,192**	21,268
Placements with and loans to banks and other financial institutions	18	**461,315**	552,013
Derivative financial assets	19	**18,207**	36,944
Financial assets held under resale agreements	20	**321,801**	371,001
Loans and advances to customers	21	**12,475,790**	11,461,542
Financial investments	22		
Financial assets at fair value through profit or loss		**697,392**	643,245
Debt instrument investments at amortized cost		**4,756,098**	4,503,698
Other debt instrument investments and other equity investments at fair value through other comprehensive income		**1,834,324**	1,738,132
Investment in associates and joint ventures	23	**4,962**	4,005
Property and equipment	24	**147,969**	152,452
Goodwill		**1,381**	1,381
Deferred tax assets	25	**123,961**	113,293
Other assets	26	**222,290**	95,662
Total assets		**23,975,153**	22,609,471
Liabilities			
Borrowings from central banks	27	**470,063**	561,195
Deposits from banks and other financial institutions	28	**1,273,883**	1,124,322
Placements from banks and other financial institutions	29	**348,650**	325,541
Financial liabilities at fair value through profit or loss	30	**235,708**	286,303
Derivative financial liabilities	19	**31,660**	34,554
Financial assets sold under repurchase agreements	31	**51,257**	157,101
Due to customers	32	**18,529,174**	17,346,290
Dividends payable		**767**	–
Debt securities issued	33	**912,386**	780,673
Deferred tax liabilities	25	**120**	139
Other liabilities	34	**383,350**	318,566
Total liabilities		**22,237,018**	20,934,684

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2019

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
Equity			
Ordinary shares	35	**349,983**	349,983
Preference shares	36	**79,899**	79,899
Capital reserve	37	**173,556**	173,556
Investment revaluation reserve	38	**22,829**	18,992
Surplus reserve	39	**154,298**	154,257
General reserve	40	**277,080**	239,190
Retained earnings		**673,396**	652,944
Foreign currency translation reserve		**1,626**	1,473
Equity attributable to equity holders of the Bank		**1,732,667**	1,670,294
Non-controlling interests		**5,468**	4,493
Total equity		**1,738,135**	1,674,787
Total equity and liabilities		**23,975,153**	22,609,471

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 30 August 2019.

Chairman

Executive Director

Condensed Consolidated Interim Statement of Changes In Equity

For the six months ended 30 June 2019
(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 31 December 2018 (Audited)		**349,983**	**79,899**	**173,556**	**18,992**	**154,257**	**239,190**	**652,944**	**1,473**	**1,670,294**	**4,493**	**1,674,787**
Profit for the period		–	–	–	–	–	–	**121,445**	–	**121,445**	**927**	**122,372**
Other comprehensive income		–	–	–	**3,837**	–	–	–	**153**	**3,990**	**48**	**4,038**
Total comprehensive income for the period		–	–	–	**3,837**	–	–	**121,445**	**153**	**125,435**	**975**	**126,410**
Appropriation to surplus reserve	39	–	–	–	–	**41**	–	**(41)**	–	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	**37,890**	**(37,890)**	–	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	**(60,862)**	–	**(60,862)**	–	**(60,862)**
Dividends paid to preference shareholders	14	–	–	–	–	–	–	**(2,200)**	–	**(2,200)**	–	**(2,200)**
As at 30 June 2019 (Unaudited)		**349,983**	**79,899**	**173,556**	**22,829**	**154,298**	**277,080**	**673,396**	**1,626**	**1,732,667**	**5,468**	**1,738,135**
As at 31 December 2017 (Audited)		324,794	79,899	98,773	(19,690)	134,348	230,750	577,573	(32)	1,426,415	2,982	1,429,397
Change in accounting policy		–	–	–	9,891	–	(95)	(36,457)	–	(26,661)	244	(26,417)
As at 1 January 2018		324,794	79,899	98,773	(9,799)	134,348	230,655	541,116	(32)	1,399,754	3,226	1,402,980
Profit for the period		–	–	–	–	–	–	115,789	–	115,789	187	115,976
Other comprehensive income		–	–	–	9,463	–	–	–	342	9,805	293	10,098
Total comprehensive income for the period		–	–	–	9,463	–	–	115,789	342	125,594	480	126,074
Capital contribution from equity holders		25,189	–	74,800	–	–	–	–	–	99,989	779	100,768
Appropriation to surplus reserve	39	–	–	–	–	20	–	(20)	–	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	8,697	(8,697)	–	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	(57,911)	–	(57,911)	–	(57,911)
Dividends paid to preference shareholders	14	–	–	–	–	–	–	(2,200)	–	(2,200)	–	(2,200)
As at 30 June 2018 (Unaudited)		349,983	79,899	173,573	(336)	134,368	239,352	588,077	310	1,565,226	4,485	1,569,711
Profit for the period		–	–	–	–	–	–	86,994	–	86,994	(339)	86,655
Other comprehensive income		–	–	–	19,328	–	–	–	1,163	20,491	378	20,869
Total comprehensive income		–	–	–	19,328	–	–	86,994	1,163	107,485	39	107,524
Capital contribution from equity holders		–	–	(17)	–	–	–	–	–	(17)	–	(17)
Change in share holding in subsidiaries		–	–	–	–	–	–	–	–	–	(30)	(30)
Appropriation to surplus reserve	39	–	–	–	–	19,889	–	(19,889)	–	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	(162)	162	–	–	–	–
Dividends paid to preference shareholders		–	–	–	–	–	–	(2,400)	–	(2,400)	–	(2,400)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(1)	(1)
As at 31 December 2018 (Audited)		349,983	79,899	173,556	18,992	154,257	239,190	652,944	1,473	1,670,294	4,493	1,674,787

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 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**145,862**	141,552
Adjustments for:		
Amortization of intangible assets and other assets	**901**	1,293
Depreciation of property, equipment and right-of-use assets	**8,287**	7,047
Credit impairment losses	**73,475**	66,417
Impairment losses on other assets	**(48)**	26
Interest income arising from investment securities	**(114,046)**	(103,077)
Interest expense on debt securities issued	**14,524**	10,073
Revaluation gain on financial instruments at fair value through profit or loss	**(8,779)**	(4,395)
Net gain on investment securities	**(247)**	(948)
Share of result of associates and joint ventures	**25**	(6)
Net gain on disposal of property, equipment and other assets	**(310)**	(406)
Net foreign exchange gain	**(1,443)**	(1,307)
	118,201	116,269
Net change in operating assets and operating liabilities:		
Net decrease in balances with central banks, deposits with banks and other financial institutions	**110,749**	102,459
Net increase in placements with and loans to banks and other financial institutions	**(28,532)**	(39,006)
Net (increase)/decrease in financial assets held under resale agreements	**(15,239)**	14,097
Net increase in loans and advances to customers	**(1,060,317)**	(758,093)
Net decrease in borrowings from central banks	**(91,418)**	(63,212)
Net increase in placements from banks and other financial institutions	**22,725**	23,672
Net increase in due to customers and deposits from banks and other financial institutions	**1,319,269**	833,879
Increase in other operating assets	**(268,301)**	(120,481)
Decrease in other operating liabilities	**(62,525)**	(282,908)
Cash from/(used in) operations	**44,612**	(173,324)
Income tax paid	**(55,124)**	(48,128)
NET CASH USED IN OPERATING ACTIVITIES	**(10,512)**	(221,452)

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		**822,515**	1,061,457
Cash received from interest income arising from investment securities		**112,815**	100,249
Cash received from disposal of property, equipment and other assets		**845**	403
Cash paid for purchase of investment securities		**(1,191,316)**	(1,303,741)
Increase in investment in associates and joint ventures		**(1,016)**	(1,715)
Cash paid for purchase of property, equipment and other assets		**(3,819)**	(5,219)
NET CASH USED IN INVESTING ACTIVITIES		**(259,976)**	(148,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from issues of shares		**–**	100,000
Cash received from debt securities issued		**580,723**	727,885
Repayments of debt securities issued		**(449,830)**	(537,079)
Cash payments for interest on debt securities issued		**(13,148)**	(8,781)
Cash payments for transaction cost of debt securities issued		**(24)**	(5)
Cash payments for transaction cost of shares issued		**–**	(11)
Capital contribution from non-controlling interests		**–**	779
Dividends paid to ordinary shareholders		**(60,095)**	(45,202)
Dividends paid to preference shareholders		**(2,200)**	(2,200)
Cash payments for principal portion and interest portion of the lease liability		**(1,898)**	N/A
NET CASH FROM FINANCING ACTIVITIES		**53,528**	235,386
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(216,960)**	(134,632)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**978,441**	1,001,246
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**568**	989
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	41	**762,049**	867,603
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**281,609**	253,167
Interest paid		**(155,870)**	(162,117)

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 and Insurance Regulatory Commission (the former "China Banking and Regulatory Commission, CBRC" and "China Insurance Regulatory Commission, CIRC", the "CBIRC"), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. 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 custodian 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 2019 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.

(Amounts in millions of Renminbi, unless otherwise stated)

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 2018.

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 2018, which have been audited.

3.1 Standards and amendments effective in 2019 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

(1)	IFRS 16 (i)	Leases
(2)	IFRIC 23	Uncertainty over Income Tax Treatments
(3)	Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
(4)	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	The Annual Improvements to IFRSs 2015–2017 Cycle
(5)	Amendments to IAS 19	Employee Benefits' Regarding Plan Amendment, Curtailment or Settlement
(6)	Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

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

(i) The Group has adopted IFRS 16 as issued by the IASB with the transition date of 1 January 2019. As permitted under the specific transitional provisions in the standard, the Group did not restated comparative figures. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Standards and amendments effective in 2019 relevant to and adopted by the Group (Continued)

The specific accounting policies affected by the new leasing rules are as follows:

The implementation of the new leasing rules mainly affects the Group's leasing business as the lessee.

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. The Group's right-of-use assets mainly include rented houses and buildings. The right-of-use assets are measured at costs comprising the following: the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs, restoration costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

The impact of the Group's implementation of the new lease rules are as follows:

The Group has recognized the lease liabilities in relation to leases which had previously be classified as 'operating leases' under the principles of IAS 17 leases as of 31 December 2018. The lease liabilities were measured at the present value of the remaining lease payment discounted by the lessee's incremental borrowing rate on the date of initial application, and deducted the adjustment amount of short-term leases and leases of low-value assets. The incremental borrowing rate applied to the lease liabilities was based on the related yield-to-maturity of bonds issued, comprehensively considering the remaining lease term, lease business scale and guarantee conditions. The right-of-use assets were measured at the amount equal to lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. In addition, in applying new leasing rules for the first time, the Group has used the practical expedients permitted by the standard, mainly including the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, not recognizing lease liabilities and right-of-use assets for short-term leases and low-value leases.

On 1 January 2019, the Group recognized the right-of-use assets amounted RMB11,095 million and lease liabilities amounted RMB10,428 million. The implementation of IFRS 16 does not have any impact on net asset of the Group as at 1 January 2019.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Standards and amendments relevant to the Group 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 or amended standards and interpretations issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

			Effective for annual periods beginning on or after
(1)	Amendments to IAS 1 and IAS 8	The Definition of Material	1 January 2020
(2)	Amendments to IFRS 3	The Definition of A Business	1 January 2020
(3)	IFRS 17	Insurance Contracts	1 January 2021
(4)	Amendments to IFRS 10 and IAS 28	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.

Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated 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.

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 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Group as at 30 June 2019:

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	RMB9,500,000,000	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	RMB1,750,000,001	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	RMB40,000,000	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	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited	(iii)	23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.		1 August 2017	Beijing, PRC	RMB10,000,000,000	100.00	100.00	Debt-to-equity swap and related services

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

The following are the principal subsidiaries of the Group as at 30 June 2019 (Continued):

For the six months ended 30 June 2019, there were no changes in the proportion of equity interest or voting rights the Group 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"). The Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Group and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Group held in ABC Life Insurance remained at 51%.

As at 30 June 2019, there was no objective evidence noted for any goodwill impairment and no impairment loss was recognized.

(iii) As at 30 June 2019, the Group contributed additional capital totally RMB617million to Agricultural Bank of China (Moscow) Limited, which injected RMB617 million to registered capital of Agricultural Bank of China (Moscow) Limited. After the capital injection, the proportion of equity interest and voting rights the Group held in Agricultural Bank of China (Moscow) Limited remained at 100%.

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND STRUCTURED ENTITIES (Continued)

(2) Investment in associates

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
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Beijing Guofa Aero Engine Industry Investment Fund Center LP	(ii)	2018	Beijing, PRC	RMB3,525,200,000	28.08	20.00	Non Securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center LP	(ii)	2019	Jilin, PRC	RMB100,000,000	29.50	20.00	Non Securities investment activities and related advisory services

(i) *On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter 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 right to participate in the financial and operating policy decisions of BSCA.Bank, but does not constitute control or joint control over those policy decisions.*

(ii) *The Bank's wholly-owned subsidiary, ABC Financial Assets Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operating policy decisions of these enterprises but does not constitute control or joint control over those policy decisions.*

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND STRUCTURED ENTITIES (Continued)

(3) Investment in joint ventures

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
Jiangsu Jiequan ABC State-owned Enterprise Mixed Ownership Reform Fund LP		2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, Debt-to-Equity and related supporting services
ABC Gaotou (Hubei) Debt-to-Equity Investment Fund LP		2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non Securities equity investment activities and related advisory services
Suida (Jiaxing) Investment LP		2018	Zhejiang, PRC	RMB1,200,000,000	41.71	40.00	Industrial Investment
ABC New Silk Road (Jiaxing) Investment Fund LP		2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Shenzhen Zhaoping Suida Investment Center LP		2018	Guangdong, PRC	RMB400,000,000	50.00	40.00	Industrial investment and investment advisory
Zhejiang New Power Fund LP		2018	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Industrial investment and equity investment
Chengdu Chuanneng Lithium Energy Equity Investment Fund LP		2018	Sichuan, PRC	RMB2,520,000,000	30.16	28.57	Non-publicly traded equity investments and related advisory services
Yiwu Emerging Power Equity Investment Fund Partnership (Limited Partnership)		2019	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, debt-to-equity swap and supporting business
Beijing Enterprises Water (Guangxi) Group Limited	(ii)	2008	Guangxi, PRC	HKD330,000,000	45.55	20.00	Industrial Investment and Equity Investment

(i) The wholly-owned subsidiary of the Bank, ABC Financial Assets Investment Co., Ltd. and other investors established the above-mentioned partnership. According to the partnership agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Bank constitutes joint control over the financial and operating policy decisions of these limited partnerships with the other investors.

(ii) In June 2019, the Bank's wholly-owned subsidiary, ABC Financial Assets Investment Co., Ltd. increased its capital by RMB1 billion to Beijing Enterprises Water (Guangxi) Group Limited. After the capital increase, the Group owns 20% of the voting rights of Beijing Enterprises Water (Guangxi) Group Limited.

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND STRUCTURED ENTITIES (Continued)

(4) Structured entities

The Group also consolidated structured entities as disclosed in Note 44 Structured Entities.

6 NET INTEREST INCOME

	Six months ended 30 June	
	2019	2018
Interest income		
Loans and advances to customers	**274,879**	242,422
Including: Corporate loans and advances	**160,035**	147,476
Personal loans and advances	**109,080**	91,548
Discounted bills	**5,764**	3,398
Financial investments		
Debt instrument investments at amortized cost	**83,285**	75,089
Other debt instrument at fair value through other comprehensive income	**30,761**	27,988
Balances with central banks	**17,637**	20,732
Placements with and loans to banks and other financial institutions	**7,106**	5,824
Financial assets held under resale agreements	**6,502**	5,266
Deposits with banks and other financial institutions	**1,400**	973
Subtotal	**421,570**	378,294
Interest expense		
Due to customers	**(138,874)**	(108,160)
Deposits from banks and other financial institutions	**(17,206)**	(13,365)
Debt securities issued	**(14,524)**	(10,073)
Borrowings from central banks	**(7,696)**	(7,136)
Placements from banks and other financial institutions	**(4,810)**	(3,829)
Financial assets sold under repurchase agreements	**(828)**	(1,795)
Others	**–**	(103)
Subtotal	**(183,938)**	(144,461)
Net interest income	**237,632**	233,833

(Amounts in millions of Renminbi, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019	2018
Fee and commission income		
Bank cards	**14,289**	12,426
Electronic banking services	**12,870**	9,081
Agency services	**12,384**	12,231
Consultancy and advisory services	**7,453**	5,526
Settlement and clearing services	**6,721**	5,831
Custodian and other fiduciary	**2,250**	2,144
Credit commitment	**1,112**	1,007
Others	**217**	250
Subtotal	**57,296**	48,496
Fee and commission expense		
Bank cards	**(3,886)**	(3,241)
Electronic banking services	**(1,260)**	(535)
Settlement and clearing services	**(883)**	(740)
Others	**(368)**	(343)
Subtotal	**(6,397)**	(4,859)
Net fee and commission income	**50,899**	43,637

8 NET TRADING GAIN

		Six months ended 30 June	
		2019	2018
Net gain on debt instruments held for trading		**8,279**	6,948
Net gain on precious metals	(i)	**2,302**	2,686
Net loss on foreign exchange rate derivatives		**(1,075)**	(1,996)
Net (loss)/gain on interest rate derivatives		**(1,512)**	1,049
Others		**4,237**	(881)
Total		**12,231**	7,806

(i) 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 GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2019	2018
Net gain on underlying assets and liabilities related to principal guaranteed wealth management products designated as at FVPL	**415**	3,105
Net gain on debt instruments designated as at FVPL	**86**	49
Net gain on other debt instruments measured at FVPL	**338**	934
Net gain on debt instruments measured at FVOCI	**227**	112
Others	**14**	(124)
Total	**1,080**	4,076

10 OTHER OPERATING INCOME

	Six months ended 30 June	
	2019	2018
Insurance premium	**18,806**	14,250
Net gain on foreign exchange	**1,729**	1,991
Government grant	**553**	703
Rental income	**392**	371
Gain on disposal of property and equipment	**290**	419
Others	**855**	862
Total	**22,625**	18,596

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES

		Six months ended 30 June	
		2019	2018
Staff costs	(1)	**58,397**	56,384
Insurance benefits and claims		**18,059**	13,944
General operating and administrative expenses		**15,628**	17,079
Depreciation and amortization		**9,188**	8,236
Tax and surcharges	(2)	**2,753**	2,646
Others		**1,128**	1,672
Total		**105,153**	99,961

(1) Staff costs

	Six months ended 30 June	
	2019	2018
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	**39,231**	37,641
Housing funds	**4,148**	4,064
Social insurance	**2,737**	2,675
Including: Medical insurance	**2,455**	2,403
Maternity insurance	**209**	187
Employment injury insurance	**73**	85
Labor union fees and staff education expenses	**1,721**	1,663
Others	**2,850**	2,904
Subtotal	**50,687**	48,947
Defined contribution benefits	**7,763**	7,729
Early retirement benefits	**(53)**	(292)
Total	**58,397**	56,384

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES (Continued)

(2) *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%.*

Pursuant to 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), the Bank elected 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.

City construction and maintenance tax is calculated at 1%, 5% or 7% of VAT for the Group's Domestic Operations.

Education surcharge is calculated at 3% or 5% of VAT for the Group's Domestic Operations.

12 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2019	2018
Loans and advances to customers	**71,418**	66,655
Financial investments		
Debt instrument investments at amortized cost	**66**	(920)
Other debt instruments at fair value through other comprehensive income	**841**	917
Provision for guarantees and commitments	**643**	1,038
Financial assets held under resale agreements	**(250)**	(1,091)
Placements with and loans to banks and other financial institutions	**(114)**	(425)
Others	**871**	243
Total	**73,475**	66,417

(Amounts in millions of Renminbi, unless otherwise stated)

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
Current income tax		
— PRC Enterprise Income Tax	**35,063**	40,650
— Hong Kong Profits Tax	**285**	390
— Other jurisdictions	**90**	103
Subtotal	**35,438**	41,143
Deferred tax (Note 25)	**(11,948)**	(15,567)
Total	**23,490**	25,576

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. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in the PRC. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the six months ended 30 June 2019 and 30 June 2018 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

		Six months ended 30 June	
		2019	2018
Profit before tax		**145,862**	141,552
Tax calculated at applicable PRC statutory tax rate of 25%		**36,466**	35,388
Tax effect of income not taxable for tax purpose	(i)	**(15,303)**	(12,174)
Tax effect of costs, expenses and losses not deductible for tax purpose		**2,375**	2,377
Effect of different tax rates in other jurisdictions		**(48)**	(15)
Income tax expense		**23,490**	25,576

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

(Amounts in millions of Renminbi, unless otherwise stated)

14 DIVIDENDS

		Six months ended 30 June	
		2019	2018
Dividends on ordinary shares recognized as distribution during the period			
Cash dividend related to 2018	(1)	**60,862**	–
Cash dividend related to 2017	(2)	**–**	57,911
		60,862	57,911
Dividends on preference shares declared and paid	(4)	**2,200**	2,200

(1) *Distribution of final dividend for 2018*

A cash dividend of RMB0.1739 per ordinary share related to 2018, amounting to RMB60,862 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2018 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 30 May 2019.

The dividend unpaid was recognized as dividends payable as at 30 June 2019 and paid on 12 July 2019.

(2) *Distribution of final dividend for 2017*

A cash dividend of RMB0.1783 per ordinary share related to 2017, amounting to RMB57,911 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2017 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 11 May 2018.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2018.

(3) *No dividends on ordinary shares related to the period from 1 January 2019 to 30 June 2019 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2019.*

(4) *Distribution of dividend on preference shares for 2019*

A cash dividend at the dividend rate of 5.5% per annum related to the second tranche of preference shares of 2018 to 2019 amounting to RMB2,200 million in total was approved at the Board of Directors' Meeting held on 11 January 2019 and distributed on 11 March 2019.

A cash dividend at the dividend rate of 6% per annum related to the first tranche of preference shares of 2018 to 2019 amounting to RMB2,400 million in total was approved at the Board of Directors' Meeting held on 30 August 2019 and will be distributed on 5 November 2019.

Distribution of dividend on preference shares for 2018

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 11 January 2018 and distributed on 12 March 2018.

A cash dividend at the dividend rate of 6% per annum related to the first tranche of preference shares amounting to RMB2,400 million in total was approved at the Board of Directors' Meeting held on 28 August 2018 and distributed on 5 November 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

15 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
Earnings:		
Profit for the period attributable to equity holders of the Bank	**121,445**	115,789
Less: profit for the period attributable to preference shareholders of the Bank	**(2,200)**	(2,200)
Profit for the period attributable to ordinary equity holders of the Bank	**119,245**	113,589
Number of shares:		
Weighted average number of ordinary shares in issue (million)	**349,983**	324,794
Basic and diluted earnings per share (RMB yuan)	**0.34**	0.35

For the purpose of calculating basic earnings per share for the six months ended 30 June 2019, cash dividends of RMB2,200 million of non-cumulative preference shares declared and distributed was deducted from the profit for the period attributable to equity holders of the Bank (Six months ended 30 June 2018: RMB2,200 million).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2019 and 30 June 2018, therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

(Amounts in millions of Renminbi, unless otherwise stated)

16 CASH AND BALANCES WITH CENTRAL BANKS

		30 June 2019	31 December 2018
Cash		**91,182**	98,089
Mandatory reserve deposits with central banks	(1)	**2,087,725**	2,312,116
Surplus reserve deposits with central banks	(2)	**186,499**	223,555
Other deposits with central banks	(3)	**190,133**	170,187
Subtotal		**2,555,539**	2,803,947
Accrued interest		**970**	1,160
Total		**2,556,509**	2,805,107

(1) *The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits. According to the requirements of "Notice on Reducing Deposit Reserve Ratio for Financial Institutions issued by the People's Bank of China" (Yinfa [2019] No. 4), RMB deposit reserve ratio for financial institutions is reduced by 1%, of which, by 0.5% from 15 January 2019 and 25 January 2019 respectively. And according to the "Notice of Dynamic Assessment Result of targeted cuts to required reserve ratios of Financial Institutions" issued by Business Administration Department of the People's Bank of China, RMB deposit reserve ratio is reduced by 1% from 25 January 2019.*

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 2019 issued by the People's Bank of China" (Yinbanfa [2019] No. 60), effective from 25 March 2019, RMB mandatory reserve deposits with the PBOC are based on 10% of qualified RMB deposits (31 December 2018: 12%). For the Domestic Operations of the Bank, RMB mandatory reserve deposits are based on 12% of qualified RMB deposits (31 December 2018: 14%). For the overseas participating banks with eligible RMB deposits, RMB mandatory reserve deposits are based on 12 % of qualified RMB deposits (31 December 2018: 14%). Foreign currency mandatory reserve deposits are based on 5% (31 December 2018: 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 risk reserve placed with the PBOC that are not available for use in the Group's daily operations. Fiscal deposits are non-interest bearing from government, and the interest rate for foreign exchange risk reserve is currently set at zero. The foreign exchange risk reserve is maintained with the PBOC in accordance with the "Notice on Reinforcing the Macro Prudential Management of Foreign Exchange Transactions" (Yinfa [2015] No. 273) issued by the PBOC on 31 August 2015. From 6 August 2018, the foreign exchange risk reserve rate was adjusted to 20% according to the "Notice on Adjustment of Foreign Exchange Risk Reserves Policy" (Yinfa [2018] No. 190) issued by PBOC on 3 August 2018.*

(Amounts in millions of Renminbi, unless otherwise stated)

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
Deposits with:		
Domestic banks	**160,874**	54,075
Other domestic financial institutions	**16,068**	12,296
Overseas banks	**38,611**	43,711
Gross carrying amount	**215,553**	110,082
Accrued interest	**719**	196
Allowance for impairment losses	**(1,310)**	(550)
Deposits with Banks and other financial institutions, net	**214,962**	109,728

As at 30 June 2019, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB17,989 million (31 December 2018: RMB13,080 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 2019	31 December 2018
Placements with and loans to:		
Domestic banks	**204,298**	193,744
Other domestic financial institutions	**172,836**	256,887
Overseas banks and other financial institutions	**81,659**	99,172
Gross carrying amount	**458,793**	549,803
Accrued interest	**3,793**	3,594
Allowance for impairment losses	**(1,271)**	(1,384)
Placements with and loans to banks and other financial institutions, net	**461,315**	552,013

(Amounts in millions of Renminbi, unless otherwise stated)

19 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 values 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 2019 and 31 December 2018, 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 offset 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 2019		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	**2,520,291**	**16,990**	**(13,996)**
Currency options	**101,170**	**473**	**(595)**
Subtotal		**17,463**	**(14,591)**
Interest rate derivatives			
Interest rate swaps	**383,108**	**571**	**(1,641)**
Precious metal contracts and others	**190,798**	**173**	**(15,428)**
Total derivative financial assets and liabilities		**18,207**	**(31,660)**

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

	31 December 2018		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	2,850,770	34,202	(30,657)
Currency options	75,226	886	(738)
Subtotal		35,088	(31,395)
Interest rate derivatives			
Interest rate swaps	418,445	1,654	(839)
Precious metal contracts and others	76,631	202	(2,320)
Total derivative financial assets and liabilities		36,944	(34,554)

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 CBIRC which was effective 1 January 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the CBIRC which was effective 1 January 2019, and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 30 June 2019 and 31 December 2018, the credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings — Based approach.

	30 June 2019	31 December 2018
Credit risk weighted amount for counterparty	**76,866**	17,336

(Amounts in millions of Renminbi, unless otherwise stated)

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2019	31 December 2018
Analyzed by collateral type:		
Debt securities	**275,219**	343,571
Bills	**46,997**	27,475
Total	**322,216**	371,046
Accrued interest	**532**	1,152
Allowance for impairment losses	**(947)**	(1,197)
Financial assets held under resale agreements, net	**321,801**	371,001

The collateral received in connection with financial assets held under resale agreements is disclosed in Note 45 Contingent Liabilities and Commitments — Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS

21.1 Analyzed by measurement basis

		30 June 2019	31 December 2018
Measured at amortized cost	(1)	**11,996,851**	11,027,381
Measured at fair value through other comprehensive income	(2)	**478,788**	433,912
Measured at fair value through profit or loss	(3)	**151**	249
Total		**12,475,790**	11,461,542

(1) Measured at amortized cost

	30 June 2019	31 December 2018
Corporate loans and advances		
Loans and advances	**7,380,954**	6,802,200
Personal loans and advances	**5,102,409**	4,677,264
Subtotal	**12,483,363**	11,479,464
Accrued interest	**29,361**	27,060
Allowance for impairment losses	**(515,873)**	(479,143)
Carrying amount of loans and advances to customers measured at amortized cost	**11,996,851**	11,027,381

(2) Measured at fair value through other comprehensive income

	30 June 2019	31 December 2018
Corporate loans and advances		
Loans and advances	**99,522**	89,951
Discounted bills	**379,266**	343,961
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**478,788**	433,912

(3) Measured at fair value through profit or loss

	30 June 2019	31 December 2018
Corporate loans and advances		
Loans and advances	**151**	249

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.2 Analyzed by assessment method of ECL

	Six months ended 30 June 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Gross loans and advances measured at amortized cost (accrued interest not included)	**11,956,342**	**341,730**	**185,291**	**12,483,363**
Allowance for impairment losses	**(323,286)**	**(60,986)**	**(131,601)**	**(515,873)**
Loans and advances to customers, net	**11,633,056**	**280,744**	**53,690**	**11,967,490**
Loans and advances measured at fair value through other comprehensive income	**478,134**	**633**	**21**	**478,788**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(9,688)**	**(57)**	**(15)**	**(9,760)**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Gross loans and advances measured at amortized cost (accrued interest not included)	10,929,528	359,934	190,002	11,479,464
Allowance for impairment losses	(261,704)	(68,455)	(148,984)	(479,143)
Loans and advances to customers, net	10,667,824	291,479	41,018	11,000,321
Loans and advances measured at fair value through other comprehensive income	433,488	424	–	433,912
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(7,460)	(9)	–	(7,469)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.2 Analyzed by assessment method of ECL (Continued)

The ECL for corporate loans and advances in stage I and stage II, as well as personal loans and advances, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the cash flow discount model. For details, see Note 47.1 Credit Risk.

At 30 June 2019, the Group's exposure of credit-impaired Stage III loans and advances covered by collateral and pledge of the Group was RMB46,135 million (31 December 2018: RMB30,599 million).

21.3 Analyzed by movements in loss allowance

The movements of loss allowance is mainly affected by:

— Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired;

— Allowance for new financial instruments recognized;

— Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of financial assets between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements; and

— The reversal of allowances caused by repayment, write-offs and transfer of financial assets.

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses:

	Six months ended 30 June 2019			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL	Lifetime ECL		Total
31 December 2018	191,146	63,973	128,611	383,730
Transfer:				
Stage I to stage II	(3,744)	3,744	–	–
Stage II to stage III	–	(9,430)	9,430	–
Stage II to stage I	2,740	(2,740)	–	–
Stage III to stage II	–	670	(670)	–
Originated or purchased financial assets	44,050	–	–	44,050
Remeasurement	14,648	2,142	9,915	26,705
Repayment and transfer out	(22,110)	(2,471)	(19,125)	(43,706)
Write-offs	–	–	(17,633)	(17,633)
30 June 2019	226,730	55,888	110,528	393,146

	Six months ended 30 June 2019			
	Stage I	Stage II	Stage III	
Personal loans and advances	12m ECL	Lifetime ECL		Total
31 December 2018	78,018	4,491	20,373	102,882
Transfer:				
Stage I to stage II	(601)	601	–	–
Stage II to stage III	–	(735)	735	–
Stage II to stage I	655	(655)	–	–
Stage III to stage II	–	267	(267)	–
Originated or purchased financial assets	28,046	–	–	28,046
Remeasurement	12,782	1,317	8,007	22,106
Repayment and transfer out	(12,656)	(131)	(1,799)	(14,586)
Write-offs	–	–	(5,961)	(5,961)
30 June 2019	106,244	5,155	21,088	132,487

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses (Continued):

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL	Lifetime ECL		Total
1 January 2018	160,902	53,285	126,922	341,109
Transfer:				
Stage I to stage II	(9,105)	9,105	–	–
Stage II to stage III	–	(22,224)	22,224	–
Stage II to stage I	3,948	(3,948)	–	–
Stage III to stage II	–	2,217	(2,217)	–
Originated or purchased financial assets	48,217	–	–	48,217
Remeasurement	21,108	29,648	62,188	112,944
Repayment and transfer out	(33,924)	(4,110)	(26,946)	(64,980)
Write-offs	–	–	(53,560)	(53,560)
31 December 2018	191,146	63,973	128,611	383,730

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
Personal loans and advances	12m ECL	Lifetime ECL		Total
1 January 2018	60,853	3,924	25,389	90,166
Transfer:				
Stage I to stage II	(1,124)	1,124	–	–
Stage II to stage III	–	(1,248)	1,248	–
Stage II to stage I	1,139	(1,139)	–	–
Stage III to stage II	–	411	(411)	–
Originated or purchased financial assets	35,789	–	–	35,789
Remeasurement	(2,634)	3,750	10,441	11,557
Repayment and transfer out	(16,005)	(2,331)	(3,291)	(21,627)
Write-offs	–	–	(13,003)	(13,003)
31 December 2018	78,018	4,491	20,373	102,882

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS

		30 June 2019	31 December 2018
Financial assets at fair value through profit or loss	22.1	**697,392**	643,245
Debt instrument investments at amortized cost	22.2	**4,756,098**	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	22.3	**1,834,324**	1,738,132
Total		**7,287,814**	6,885,075

22.1 Financial assets at fair value through profit or loss

		30 June 2019	31 December 2018
Financial assets mandatorily measured at fair value through profit or loss:			
— Held for trading	(1)	**300,645**	246,788
— Other financial assets at fair value through profit or loss	(2)	**160,859**	129,725
Financial assets designated at fair value through profit or loss	(3)	**235,888**	266,732
Total		**697,392**	643,245
Analyzed as:			
Listed in Hong Kong		**5,132**	4,101
Listed outside Hong Kong	(i)	**412,505**	519,076
Unlisted		**279,755**	120,068
Total		**697,392**	643,245

(i) 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)

22 FINANCIAL INVESTMENTS (Continued)

22.1 Financial assets at fair value through profit or loss (Continued)

(1) *Financial assets held for trading*

	30 June 2019	31 December 2018
Debt securities issued by:		
Governments	**19,965**	11,302
Public sector and quasi-governments	**68,931**	87,444
Financial institutions	**126,850**	62,506
Corporates	**37,344**	52,756
Subtotal	**253,090**	214,008
Precious metal contracts	**43,657**	28,139
Equity and fund	**3,898**	4,641
Total	**300,645**	246,788

(2) *Other financial assets at fair value through profit or loss (ii)*

	30 June 2019	31 December 2018
Debt securities issued by:		
Public sector and quasi-governments	**21,105**	20,554
Financial institutions	**63,544**	51,947
Corporates	**4,856**	4,385
Subtotal	**89,505**	76,886
Equity and fund	**51,957**	37,151
Others	**19,397**	15,688
Total	**160,859**	129,725

(ii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at AC or FVOCI and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products, among other things, of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.1 Financial assets at fair value through profit or loss (Continued)

(3) Financial assets designated at fair value through profit or loss (iii)

	30 June 2019	31 December 2018
Debt securities issued by:		
Governments	**10,353**	21,257
Public sector and quasi-governments	**37,587**	33,399
Financial institutions	**50,007**	49,711
Corporates	**32,677**	38,537
Subtotal	**130,624**	142,904
Deposits with banks and other financial institutions	**14,386**	9,174
Placements with and loans to banks and other financial institutions	**73,865**	110,431
Others	**17,013**	4,223
Total	**235,888**	266,732

(iii) Financial assets designated at fair value through profit or loss mainly include the financial asset invested by the wealth management products ("WMPs") with principal guaranteed by the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost

		30 June 2019	31 December 2018
Debt securities issued by:			
Governments		**2,577,819**	2,299,357
Public sector and quasi-governments		**1,275,492**	1,255,738
Financial institutions		**286,920**	300,010
Corporates		**136,870**	169,480
Subtotal		**4,277,101**	4,024,585
Receivable from the MOF		**290,891**	290,891
Special government bonds	(i)	**93,358**	93,358
Others	(ii)	**20,479**	22,443
Total		**4,681,829**	4,431,277
Accrued interest		**83,518**	81,608
Allowance for impairment losses		**(9,249)**	(9,187)
Debt instrument investments at amortized cost, net		**4,756,098**	4,503,698
Analyzed as:			
Listed in Hong Kong		**13,048**	12,698
Listed outside Hong Kong	(iii)	**4,384,937**	4,116,972
Unlisted		**358,113**	374,028
Total		**4,756,098**	4,503,698

(i) *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.*

(ii) *Other debt instruments classified as receivables are primarily related to investment in unconsolidated structured entities held by the Group (Note 44(2)).*

(iii) *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)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(1) Analyzed by assessment method of ECL

	30 June 2019			
	Stage I	**Stage II**	**Stage III**	
	12m ECL	**Lifetime ECL**		**Total**
Gross debt instrument investments at amortized cost	**4,762,655**	**967**	**1,725**	**4,765,347**
Allowance for impairment losses	**(7,356)**	**(230)**	**(1,663)**	**(9,249)**
Debt instrument investments at amortized cost, net	**4,755,299**	**737**	**62**	**4,756,098**

	31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	4,509,520	1,043	2,322	4,512,885
Allowance for impairment losses	(6,691)	(236)	(2,260)	(9,187)
Debt instrument investments at amortized cost, net	4,502,829	807	62	4,503,698

Debt instrument investments at amortized cost in stage II and stage III mainly included corporate bond and other debt instruments investment.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(2) Analyzed by movements in loss allowance (i)

	Six months ended 30 June 2019			
	Stage I	**Stage II**	**Stage III**	
	12m ECL	**Lifetime ECL**		**Total**
31 December 2018	**6,691**	**236**	**2,260**	**9,187**
Transfer:				
stage II transfer to stage I	**6**	**(6)**	**–**	**–**
Originated or purchased financial assets	**832**	**–**	**–**	**832**
Remeasurement	**75**	**–**	**2**	**77**
Maturities or transfer out	**(248)**	**–**	**(599)**	**(847)**
30 June 2019	**7,356**	**230**	**1,663**	**9,249**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2018	5,883	20	2,261	8,164
Transfer:				
stage I transfer to stage II	(9)	9	–	–
Originated or purchased financial assets	2,242	–	–	2,242
Remeasurement	(369)	227	233	91
Maturities or transfer out	(1,056)	(20)	(234)	(1,310)
31 December 2018	6,691	236	2,260	9,187

(i) In 30 June 2019, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the increase of debt instrument investments and the derecognition of remained debt instrument investments in the year.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income

		30 June 2019			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Debt instruments	(1)	**1,818,033**	**1,831,346**	**13,313**	**(7,173)**
Equity instruments	(2)	**2,067**	**2,978**	**911**	**N/A**
Total		**1,820,100**	**1,834,324**	**14,224**	**(7,173)**

		31 December 2018			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Debt instruments	(1)	1,725,961	1,735,892	9,931	(6,327)
Equity instruments	(2)	1,598	2,240	642	N/A
Total		1,727,559	1,738,132	10,573	(6,327)

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Debt instruments

(a) Analyzed by measurement basis

	30 June 2019	31 December 2018
Debt securities issued by:		
Governments	**748,846**	707,987
Public sector and quasi-governments	**257,373**	263,005
Financial institutions	**613,526**	544,934
Corporates	**174,571**	186,738
Subtotal	**1,794,316**	1,702,664
Others (i)	**14,759**	14,287
Subtotal of debt instruments	**1,809,075**	1,716,951
Accrued interest	**22,271**	18,941
Total	**1,831,346**	1,735,892
Analyzed as:		
Listed in Hong Kong	**102,544**	98,119
Listed outside Hong Kong	**1,680,270**	1,593,843
Unlisted	**48,532**	43,930
Total	**1,831,346**	1,735,892

(i) Others primarily include trust investment plans and debt investment plans invested by the Group, which related to investment in other unconsolidated structured entities held by the Group (Note 44(2)).

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Debt instruments (Continued)

(b) Analyzed by assessment method of ECL

	30 June 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Other debt instruments at fair value through other comprehensive income	**1,825,697**	**5,632**	**17**	**1,831,346**
Allowance for impairment losses	**(6,533)**	**(624)**	**(16)**	**(7,173)**

	31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Other debt instruments at fair value through other comprehensive income	1,730,932	4,783	177	1,735,892
Allowance for impairment losses	(5,720)	(552)	(55)	(6,327)

Other debt instruments at fair value through other comprehensive income in stage II and stage III mainly included corporate bond investments.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Debt instruments (Continued)

(c) Analyzed by movements in loss allowance

	Six months ended 30 June 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
31 December 2018	**5,720**	**552**	**55**	**6,327**
Transfer:				
stage I transfer to stage II	**(4)**	**4**	**–**	**–**
Stage III transfer to stage II	**–**	**39**	**(39)**	**–**
Originated or purchased financial assets	**1,245**	**–**	**–**	**1,245**
Remeasurement	**(2)**	**37**	**–**	**35**
Maturities or transfer out	**(426)**	**(8)**	**–**	**(434)**
30 June 2019	**6,533**	**624**	**16**	**7,173**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2018	5,290	125	186	5,601
Transfer:				
stage I transfer to stage II	(35)	35	–	–
stage II transfer to stage I	51	(51)	–	–
Originated or purchased financial assets	1,958	–	–	1,958
Remeasurement	(143)	452	39	348
Maturities or transfer out	(1,401)	(9)	(170)	(1,580)
31 December 2018	5,720	552	55	6,327

In 30 June 2019, the increases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to the increase of debt instrument investments and the derecognition of remained debt instrument investments in the year.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(2) *Equity instruments*

	30 June 2019	31 December 2018
Banks and other financial institutions	**2,774**	2,036
Other enterprises	**204**	204
Total	**2,978**	2,240

23 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	30 June 2019	31 December 2018
Investment in associates	**1,285**	1,278
Investment in joint ventures	**3,763**	2,779
Subtotal	**5,048**	4,057
Allowance for impairment losses		
— investment in associate	**(86)**	(52)
Carrying amount	**4,962**	4,005

The detail information of the investment in associates and joint venture was disclosed in Note 5 investment in subsidiaries, associates, joint ventures and structured entities.

(Amounts in millions of Renminbi, unless otherwise stated)

24 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2019	**186,443**	**65,804**	**11,097**	**7,986**	**271,330**
Additions	**786**	**426**	**355**	**1,010**	**2,577**
Transfers	**1,325**	**83**	**–**	**(1,408)**	**–**
Disposals	**(752)**	**(1,634)**	**(96)**	**(3)**	**(2,485)**
30 June 2019	**187,802**	**64,679**	**11,356**	**7,585**	**271,422**
Accumulated depreciation					
1 January 2019	**(67,584)**	**(47,735)**	**(3,258)**	**–**	**(118,577)**
Charge for the period	**(3,309)**	**(2,930)**	**(285)**	**–**	**(6,524)**
Eliminated on disposals	**291**	**1,564**	**91**	**–**	**1,946**
30 June 2019	**(70,602)**	**(49,101)**	**(3,452)**	**–**	**(123,155)**
Allowance for impairment losses					
1 January 2019	**(271)**	**(21)**	**(1)**	**(8)**	**(301)**
Eliminated on disposals	**3**	**–**	**–**	**–**	**3**
30 June 2019	**(268)**	**(21)**	**(1)**	**(8)**	**(298)**
Carrying value					
30 June 2019	**116,932**	**15,557**	**7,903**	**7,577**	**147,969**
1 January 2019	**118,588**	**18,048**	**7,838**	**7,978**	**152,452**

(Amounts in millions of Renminbi, unless otherwise stated)

24 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2018	173,802	64,846	10,009	16,170	264,827
Additions	3,532	5,310	1,613	4,904	15,359
Transfers	12,210	236	121	(12,567)	–
Disposals	(3,101)	(4,588)	(646)	(521)	(8,856)
31 December 2018	186,443	65,804	11,097	7,986	271,330
Accumulated depreciation					
1 January 2018	(61,235)	(44,900)	(3,022)	–	(109,157)
Charge for the year	(7,048)	(6,442)	(614)	–	(14,104)
Eliminated on disposals	699	3,607	378	–	4,684
31 December 2018	(67,584)	(47,735)	(3,258)	–	(118,577)
Allowance for impairment losses					
1 January 2018	(294)	(8)	(1)	(109)	(412)
Impairment loss	(3)	(13)	–	–	(16)
Eliminated on disposals	26	–	–	101	127
31 December 2018	(271)	(21)	(1)	(8)	(301)
Carrying value					
31 December 2018	118,588	18,048	7,838	7,978	152,452
1 January 2018	112,273	19,938	6,986	16,061	155,258

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 2019, the registration transfer process of these transferred properties and other certain properties have 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)

25 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 2019	31 December 2018
Deferred tax assets	**123,961**	113,293
Deferred tax liabilities	**(120)**	(139)
Net	**123,841**	113,154

(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**
31 December 2018	**103,435**	**8,865**	**720**	**6,471**	**(6,579)**	**242**	**113,154**
Credit/(charge) to the consolidated income statement	**13,576**	**(69)**	**(116)**	**170**	**(1,704)**	**91**	**11,948**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**(1,261)**	**–**	**(1,261)**
30 June 2019	**117,011**	**8,796**	**604**	**6,641**	**(9,544)**	**333**	**123,841**

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2017	78,656	7,376	940	2,677	7,763	252	97,664
Change in accounting policy	7,266	–	–	3,841	(1,363)	–	9,744
1 January 2018	85,922	7,376	940	6,518	6,400	252	107,408
Credit/(charge) to the consolidated income statement	17,513	1,489	(220)	(47)	(3,642)	(10)	15,083
Credit to other comprehensive income	–	–	–	–	(9,337)	–	(9,337)
31 December 2018	103,435	8,865	720	6,471	(6,579)	242	113,154

(Amounts in millions of Renminbi, unless otherwise stated)

25 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 2019		31 December 2018	
	Deductible/ (taxable) temporary difference	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	**468,043**	**117,011**	413,742	103,435
Fair value changes of financial instruments	**21,780**	**5,445**	29,070	7,268
Accrued but unpaid staff cost	**35,183**	**8,796**	35,462	8,865
Provision	**26,563**	**6,641**	25,883	6,471
Early retirement benefits	**2,418**	**604**	2,883	720
Others	**1,363**	**341**	1,071	268
Subtotal	**555,350**	**138,838**	508,111	127,027
Deferred tax liabilities				
Fair value changes of financial instruments	**(59,956)**	**(14,989)**	(55,392)	(13,847)
Others	**(32)**	**(8)**	(104)	(26)
Subtotal	**(59,988)**	**(14,997)**	(55,496)	(13,873)
Net	**495,362**	**123,841**	452,615	113,154

(Amounts in millions of Renminbi, unless otherwise stated)

26 OTHER ASSETS

		30 June 2019	31 December 2018
Accounts receivable and temporary payments	(1)	**164,640**	54,309
Right-of-use assets	(2)	**30,992**	N/A
Land use rights	(3)	**N/A**	20,804
Interest receivable		**3,066**	2,993
Investment properties		**2,900**	2,894
Intangible assets		**2,753**	2,771
Long-term deferred expenses		**1,600**	2,196
Value-added tax receivable		**1,207**	1,079
Premiums receivable and reinsurance assets		**819**	608
Foreclosed assets		**730**	667
Others		**13,583**	7,341
Total		**222,290**	95,662

(1) Account receivables and temporary payments, which include receivables from settlement accounts and clearing account, amount receivables from the MOF, other receivables, etc.

For account receivables arising from revenue recognized in accordance with IFRS 15, the entity measures the loss allowance at amount equal to lifetime ECL using a simplified approach. At 30 June 2019, the principals of these account receivables was RMB2,439 million (31 December 2018: RMB10,692 million), and the loss allowance at amount equal to lifetime ECL was RMB747 million (31 December 2018: RMB610 million).

For other account receivables, the entity measures ECL using relatively simple ECL models, by which The Group prepares a provision matrix incorporating current condition and future forecast to measure loss allowances. At 30 June 2019, the gross amount of these account receivables was RMB165,638 million (31 December 2018: RMB46,862 million), and the loss allowance was RMB2,690 million (31 December 2018: RMB2,635 million).

(2) As at 30 June 2019, the right-of-use assets recognized by the Group are mainly include land use rights, operation building, transportation vehicles, electronic equipment and communication lines and other types, the above assets are mainly used for office business.

(3) 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 2019, 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.

27 BORROWINGS FROM CENTRAL BANKS

As at 30 June 2019, borrowings from central banks mainly include Medium-term Lending Facilities from PBOC amounting to RMB460,100 million (31 December 2018: RMB551,500 million).

(Amounts in millions of Renminbi, unless otherwise stated)

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
Deposits from:		
Domestic banks	**142,888**	47,202
Other domestic financial institutions	**1,062,291**	1,016,565
Overseas banks	**5,598**	8,906
Other overseas financial institutions	**56,230**	44,280
Subtotal	**1,267,007**	1,116,953
Accrued interest	**6,876**	7,369
Total	**1,273,883**	1,124,322

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
Placements from:		
Domestic banks and other financial institutions	**152,048**	137,955
Overseas banks and other financial institutions	**194,502**	185,870
Subtotal	**346,550**	323,825
Accrued interest	**2,100**	1,716
Total	**348,650**	325,541

(Amounts in millions of Renminbi, unless otherwise stated)

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2019	31 December 2018
Financial liabilities held for trading			
Precious metal contracts	(1)	**16,414**	17,188
Financial liabilities designated at fair value through profit or loss			
Principal guaranteed wealth management products	(2)	**215,836**	265,715
Overseas debt securities		**3,458**	3,400
Subtotal		**219,294**	269,115
Total		**235,708**	286,303

(1) *The financial liabilities held for trading are liabilities related to precious metal contracts.*

(2) *The Group designates wealth management products 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 2019 and 31 December 2018, 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 2019 and the year ended 31 December 2018, 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.

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2019	31 December 2018
Analyzed by type of collateral:		
Debt securities	**50,886**	156,741
Bills	**10**	–
Subtotal	**50,896**	156,741
Accrued interest	**361**	360
Total	**51,257**	157,101

The collateral pledged under repurchase agreements is disclosed in Note 45 Contingent Liabilities and Commitments — Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

32 DUE TO CUSTOMERS

		30 June 2019	31 December 2018
Demand deposits			
Corporate customers		**4,989,476**	4,677,155
Individual customers		**5,576,650**	5,318,511
Time deposits			
Corporate customers		**2,015,881**	1,941,564
Individual customers		**4,877,268**	4,479,483
Pledged deposits	(1)	**300,351**	288,530
Others		**555,235**	440,403
Subtotal		**18,314,861**	17,145,646
Accrued interest		**214,313**	200,644
Total		**18,529,174**	17,346,290

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

	30 June 2019	31 December 2018
Guarantee and letters of guarantee	**76,170**	78,859
Trade finance	**95,708**	92,555
Bank acceptance	**53,298**	52,055
Letters of credit	**19,629**	12,463
Others	**55,546**	52,598
Total	**300,351**	288,530

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED

		30 June 2019	31 December 2018
Bonds issued	(1)	**368,283**	282,880
Certificates of deposit issued	(2)	**253,405**	240,897
Commercial papers issued	(3)	**27,361**	13,283
Interbank certificates of deposit issued	(4)	**256,419**	237,970
Subtotal		**905,468**	775,030
Interest payable		**6,918**	5,643
Total		**912,386**	780,673

As at 30 June 2019 and 31 December 2018, there was no default related to any debt securities issued by the Group.

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

		30 June 2019	31 December 2018
2.75% USD fixed rate Green Bonds maturing in October 2020	(i)	**3,437**	3,432
3.68% CNY fixed rate Green Bonds maturing in June 2022	(ii)	**3,000**	–
Medium term notes issued	(iii)	**28,570**	41,070
4.0% subordinated fixed rate bonds maturing in May 2024	(iv)	**–**	25,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(v)	**30,000**	30,000
5.3% subordinated fixed rate bonds maturing in June 2026	(vi)	**50,000**	50,000
4.45% Tier-two capital fixed rate bonds maturing in October 2027	(vii)	**40,000**	40,000
4.99% subordinated fixed rate bonds maturing in December 2027	(viii)	**50,000**	50,000
5.55% 10 years fixed rate capital replenishment bond maturing in March 2028	(ix)	**3,500**	3,500
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(x)	**40,000**	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(xi)	**50,000**	–
4.3% Tier-two capital fixed rate bonds maturing in April 2029	(xii)	**40,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(xiii)	**10,000**	–
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xiv)	**20,000**	–
Total nominal value		**368,507**	283,002
Less: Unamortized issuance cost and discounts		**(224)**	(122)
Total		**368,283**	282,880

(Amounts in millions of Renminbi, unless otherwise stated)

33 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 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.*

(ii) *The CNY green bonds issued by Interbankl Bond Market in June 2019 have a tenor of 3 years, with a fixed coupon rate 3.68%, payable annually.*

(iii) *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 2019		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate RMB MTNs	**August 2019 to August 2021**	**3.8–4.7**	**2,720**
Fixed rate HKD MTNs	**August 2020 to January 2021**	**2.18–2.52**	**777**
Floating rate HKD MTNs	**September 2020**	**3-month HKD HIBOR plus 0.70**	**352**
Fixed rate USD MTNs	**December 2019 to September 2021**	**2.38–3.88**	**12,294**
Floating rate USD MTNs	**September 2019 to November 2023**	**3-month USD LIBOR plus 0.40 to 0.80**	**12,365**
Total			**28,508**

	As at 31 December 2018		
	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate RMB MTNs	August 2019 to March 2021	3.8–4.8	3,320
Fixed rate EUR MTNs	January 2019	–	784
Fixed rate HKD MTNs	March 2019 to January 2021	2.18–2.52	1,489
Floating rate HKD MTNs	September 2020	3-month HKD HIBOR plus 0.70	350
Fixed rate USD MTNs	January 2019 to September 2021	1.88–3.88	15,620
Floating rate USD MTNs	March 2019 to November 2023	3-month USD LIBOR plus 0.40 to 0.80	19,571
Total			41,134

33 DEBT SECURITIES ISSUED (Continued)

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

(iv) 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. As at 30 June 2019, the Bank has redeemed all of the bonds at face value.

(v) 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 18 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 CBIRC requirements.

(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 Tier-two capital bonds issued in October 2017 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 17 October 2022 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 4.45% per annum from 17 October 2022 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 CBIRC requirements.

(viii) 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.

(ix) The fixed rate Capital replenishment debt issued by ABC Life Insurance in March 2018 have a tenor of 10 years, with a fixed coupon rate of 5.55%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value on 4 March 2023. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 6.55% per annum from 5 March 2023 onwards.

(x) The Tier-two capital bonds issued in April 2018 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 27 April 2023 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 4.45% per annum from 27 April 2023 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 CBIRC requirements.

33 DEBT SECURITIES ISSUED (Continued)

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

(xi) The Tier-two capital bonds issued in March 2019 have a tenor of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 19 March 2029 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 4.28% per annum from 19 March 2029 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 CBIRC requirements.

(xii) The Tier-two capital bonds issued in April 2019 have a tenor of 10 years, with a fixed coupon rate of 4.3% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 11 April 2024 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 4.3% per annum from 11 April 2024 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 CBIRC requirements.

(xiii) The Tier-two capital bonds issued in March 2019 have a tenor of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 19 March 2024 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 4.53% per annum from 19 March 2024 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 CBIRC requirements.

(xiv) The Tier-two capital bonds issued in April 2019 have a tenor of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 11 April 2029 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 4.63% per annum from 11 April 2029 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 CBIRC requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(2) As at 30 June 2019, 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 1 month to 7 years, with interest rates ranging from 0% to 4.8%. As at 31 December 2018, the terms of the certificates of deposit ranged from two months to seven years with interest rates ranging from 0% to 4.60% per annum.

(3) As at 30 June 2019, 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 2 months to 1 year, with interest rates ranging from 0% to 3.14%. As at 31 December 2018, the terms of the commercial papers ranged from two month to one year, with interest rates ranging from 0% to 3.22% per annum.

(4) As at 30 June 2019, the interbank certificate of deposit were issued by the Bank's Head Office. The term of the interbank certificate of deposit ranged from 1 month to 1 year, with interest rates ranging from 2.20% to 3.60%. As at 31 December 2018, the terms of the interbank certificates of deposit ranged from three months to one year, with interest rates ranging from 3.20% to 4.40% per annum.

34 OTHER LIABILITIES

		30 June 2019	31 December 2018
Clearing and settlement		**114,443**	53,578
Insurance liabilities		**71,665**	68,351
Staff costs payable	(1)	**43,823**	45,285
Income taxes payable		**29,562**	49,248
Provision	(2)	**26,563**	25,883
Lease liabilities		**10,136**	N/A
VAT and other taxes payable		**8,580**	7,568
Dormant accounts		**4,568**	4,249
Amount payable to the MOF		**1,835**	1,567
Interest payable		**234**	238
Others		**71,941**	62,599
Total		**383,350**	318,566

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable

		30 June 2019	31 December 2018
Short-term employee benefits	(i)	**38,656**	39,698
Defined contribution benefits	(ii)	**2,749**	2,704
Early retirement benefits	(iii)	**2,418**	2,883
Total		**43,823**	45,285

(i) Short-term employee benefits

		Six months ended 30 June 2019			
		1 January	**Accruals**	**Reductions**	**30 June**
Salaries, bonuses, allowance and subsidies	(a)	**29,559**	**39,231**	**(41,653)**	**27,137**
Housing funds	(a)	**186**	**4,148**	**(4,047)**	**287**
Social insurance Including:	(a)	**255**	**2,737**	**(2,695)**	**297**
— Medical insurance		**235**	**2,455**	**(2,420)**	**270**
— Maternity insurance		**13**	**209**	**(204)**	**18**
— Employment injury insurance		**7**	**73**	**(71)**	**9**
Labor union fees and staff education expenses		**6,206**	**1,721**	**(703)**	**7,224**
Others		**3,492**	**2,850**	**(2,631)**	**3,711**
Total		**39,698**	**50,687**	**(51,729)**	**38,656**

		Year ended 31 December 2018			
		1 January	Accruals	Reductions	31 December
Salaries, bonuses, allowance and subsidies	(a)	26,829	75,976	(73,246)	29,559
Housing funds	(a)	157	8,328	(8,299)	186
Social insurance Including:	(a)	171	5,371	(5,287)	255
— Medical insurance		159	4,829	(4,753)	235
— Maternity insurance		7	381	(375)	13
— Employment injury insurance		5	161	(159)	7
Labor union fees and staff education expenses		5,344	3,365	(2,503)	6,206
Others		3,393	12,469	(12,370)	3,492
Total		35,894	105,509	(101,705)	39,698

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

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

	Six months ended 30 June 2019			
	1 January	**Accruals**	**Reductions**	**30 June**
Basic pensions	**518**	**5,783**	**(5,771)**	**530**
Unemployment insurance	**31**	**174**	**(164)**	**41**
Annuity Scheme	**2,155**	**1,806**	**(1,783)**	**2,178**
Total	**2,704**	**7,763**	**(7,718)**	**2,749**

	Year ended 31 December 2018			
	1 January	Accruals	Reductions	31 December
Basic pensions	527	11,808	(11,817)	518
Unemployment insurance	32	319	(320)	31
Annuity Scheme	7	5,721	(3,573)	2,155
Total	566	17,848	(15,710)	2,704

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 2019			
	1 January	**Accruals**	**Reductions**	**30 June**
Early retirement benefits	**2,883**	**(53)**	**(412)**	**2,418**

	Year ended 31 December 2018			
	1 January	Accruals	Reductions	31 December
Early retirement benefits	3,762	257	(1,136)	2,883

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

	30 June 2019	31 December 2018
Discount rate	**3.00%**	3.00%
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 2010–2013) (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 consolidated interim income statement.

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(2) Provision

	30 June 2019	31 December 2018
Loan commitments and financial guarantee contracts	**21,381**	20,523
Litigation provision	**4,299**	4,438
Others	**883**	922
Total	**26,563**	25,883

35 ORDINARY SHARES

	30 June 2019	
	Number of shares (millions)	**Nominal value**
Domestic listed A shares, par value RMB1.00 per share	**319,244**	**319,244**
Overseas listed H shares, par value RMB1.00 per share	**30,739**	**30,739**
Total	**349,983**	**349,983**

	31 December 2018	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

(1) A shares refer to the ordinary shares listed in the Mainland China. They are offered and traded in RMB. H shares refer 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.

(2) As at 30 June 2019 and 31 December 2018, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the 25.19 billion ordinary shares private issued in the year of 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

36 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 5 years after issuance, and re-priced every 5 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 5 years after issuance, and re-priced every 5 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 equity holders and relevant regulatory authorities.

The first tranche of 400 million preference shares was issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 30 June 2019. The first tranche of preference shares bears 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 re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%.

The second tranche of 400 million preference shares was issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 30 June 2019. The second tranche of preference shares bears 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 ordinary equity holders in the 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 equity holders 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.

36 PREFERENCE SHARES (Continued)

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders 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, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25.19 billion ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

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 CBIRC requirements.

37 CAPITAL RESERVE

The capital reserve represents the premium related to ordinary shares publicly issued by the Bank in 2010 and private placement of ordinary shares to the specific stakeholders in 2018. 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)

38 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2019		
	Gross amount	**Tax effect**	**Net effect**
31 December 2018	**24,996**	**(6,004)**	**18,992**
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**5,050**	**(1,249)**	**3,801**
— Amount removed from other comprehensive income and recognized in profit or loss	**(218)**	**54**	**(164)**
Fair value changes on equity instruments at fair value through other comprehensive income			
— Amount of gains recognized directly in other comprehensive income	**267**	**(67)**	**200**
30 June 2019	**30,095**	**(7,266)**	**22,829**

	2018		
	Gross amount	Tax effect	Net effect
31 December 2017	(26,135)	6,445	(19,690)
Change in accounting policy	13,003	(3,112)	9,891
1 January 2018	(13,132)	3,333	(9,799)
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	38,212	(9,358)	28,854
— Amount removed from other comprehensive income and recognized in profit or loss	(280)	70	(210)
Fair value changes on equity instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	196	(49)	147
31 December 2018	24,996	(6,004)	18,992

(Amounts in millions of Renminbi, unless otherwise stated)

39 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 appropriated surplus reserves in accordance with local requirements.

Subject to the approval of the ordinary 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.

40 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 ordinary 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 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.

For the six months ended 30 June 2019, the Group transferred RMB37,890 million (Six months ended 30 June 2018: RMB8,602 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB37,626 million (Six months ended 30 June 2018: RMB8,380 million) related to the appropriation proposed for the year ended 31 December 2018 which was approved in the annual general meeting held on 30 May 2019.

41 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 2019	30 June 2018
Cash	**91,182**	103,882
Balance with central banks	**194,412**	223,753
Deposits with banks and other financial institutions	**89,090**	69,477
Placements with and loans to banks and other financial institutions	**101,777**	132,727
Financial assets held under resale agreements	**285,588**	337,764
Total	**762,049**	867,603

42 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)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2019										
External interest income	144,483	62,430	43,495	40,724	42,090	62,672	10,296	15,380	–	421,570
External interest expense	(26,008)	(38,769)	(19,662)	(28,582)	(24,291)	(27,461)	(8,187)	(10,978)	–	(183,938)
Inter-segment interest (expense)/income	(110,570)	25,324	13,550	24,963	20,615	20,019	7,089	(990)	–	–
Net interest income	7,905	48,985	37,383	37,105	38,414	55,230	9,198	3,412	–	237,632
Fee and commission income	13,977	10,199	8,951	6,832	6,587	8,933	1,538	279	–	57,296
Fee and commission expense	(858)	(1,348)	(1,006)	(1,041)	(837)	(1,074)	(173)	(60)	–	(6,397)
Net fee and commission income	13,119	8,851	7,945	5,791	5,750	7,859	1,365	219	–	50,899
Net trading gain	6,645	398	28	118	4	223	47	4,768	–	12,231
Net gain/(loss) on financial investments	1,160	7	7	1	–	(1)	–	(94)	–	1,080
Other operating income	650	910	572	269	161	649	71	19,343	–	22,625
Operating income	29,479	59,151	45,935	43,284	44,329	63,960	10,681	27,648	–	324,467
Operating expenses	(6,846)	(14,504)	(10,604)	(12,175)	(14,068)	(20,352)	(5,748)	(20,856)	–	(105,153)
Credit impairment losses	(2,912)	(12,162)	(11,072)	(13,152)	(11,819)	(16,766)	(3,017)	(2,575)	–	(73,475)
Impairment losses on other assets	(34)	35	73	–	3	(28)	(1)	–	–	48
Operating profit	19,687	32,520	24,332	17,957	18,445	26,814	1,915	4,217	–	145,887
Share of results of associates and joint ventures	5	–	–	–	–	–	–	(30)	–	(25)
Profit before tax	19,692	32,520	24,332	17,957	18,445	26,814	1,915	4,187	–	145,862
Income tax expense										(23,490)
Profit for the period										122,372
Depreciation and amortization included in operating expenses	633	1,516	1,238	1,479	1,502	1,995	596	229	–	9,188
Capital expenditure	541	279	271	–	152	541	89	778	–	2,651
As at 30 June 2019										
Segment assets	5,163,555	4,977,707	3,006,518	4,212,535	3,528,865	4,802,238	1,028,673	1,110,111	(3,979,010)	23,851,192
Including: Investment in associates and joint ventures	206	–	–	–	–	–	–	4,756	–	4,962
Unallocated assets										123,961
Total assets										23,975,153
Include: non-current assets (1)	11,211	32,074	19,111	29,135	27,243	40,757	11,290	21,736	–	192,557
Segment liabilities	(3,398,463)	(5,012,809)	(3,023,473)	(4,247,945)	(3,553,062)	(4,841,058)	(1,040,214)	(1,069,321)	3,979,010	(22,207,335)
Unallocated liabilities										(29,683)
Total liabilities										(22,237,018)
Loan commitments and financial guarantee contracts	46,322	577,814	341,735	418,712	297,764	341,278	99,766	81,599	–	2,204,990

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

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2018										
External interest income	134,290	54,844	37,190	37,043	36,086	56,035	9,573	13,233	–	378,294
External interest expense	(23,996)	(28,534)	(15,508)	(21,792)	(18,836)	(21,587)	(6,318)	(7,890)	–	(144,461)
Inter-segment interest (expense)/income	(111,664)	23,672	14,039	25,273	21,724	21,644	6,691	(1,379)	–	–
Net interest income	(1,370)	49,982	35,721	40,524	38,974	56,092	9,946	3,964	–	233,833
Fee and commission income	9,452	8,649	8,123	5,573	5,866	8,278	2,121	434	–	48,496
Fee and commission expense	(579)	(1,183)	(669)	(673)	(638)	(919)	(152)	(46)	–	(4,859)
Net fee and commission income	8,873	7,466	7,454	4,900	5,228	7,359	1,969	388	–	43,637
Net trading gain/(loss)	5,352	341	11	(7)	(27)	–	2	2,134	–	7,806
Net gain/(loss) on financial investments	4,347	(81)	34	(5)	(4)	(11)	–	(204)	–	4,076
Net gain on derecognition of financial assets measured at amortized cost	2	–	–	–	–	–	–	–	–	2
Other operating (expense)/income	(1,710)	1,326	2,041	335	299	813	81	15,411	–	18,596
Operating income	15,494	59,034	45,261	45,747	44,470	64,253	11,998	21,693	–	307,950
Operating expenses	(5,290)	(14,504)	(10,303)	(12,631)	(14,537)	(20,085)	(6,046)	(16,565)	–	(99,961)
Credit impairment losses	72	(14,594)	(5,338)	(15,176)	(10,629)	(17,661)	(3,913)	822	–	(66,417)
Impairment losses on other assets	–	–	(4)	(3)	2	(19)	(2)	–	–	(26)
Operating profit	10,276	29,936	29,616	17,937	19,306	26,488	2,037	5,950	–	141,546
Share of result of associate	6	–	–	–	–	–	–	–	–	6
Profit before tax	10,282	29,936	29,616	17,937	19,306	26,488	2,037	5,950	–	141,552
Income tax expense										(25,576)
Profit for the period										115,976
Depreciation and amortization included in operating expenses	691	1,254	953	1,307	1,410	1,928	577	116	–	8,236
Capital expenditure	296	447	329	261	321	528	128	1,138	–	3,448
As at 31 December 2018										
Segment assets	5,322,502	4,760,141	2,823,835	3,956,866	3,297,149	4,550,800	966,852	1,005,244	(4,187,211)	22,496,178
Including: Investment in associates and joint ventures	236	–	–	–	–	–	–	3,769	–	4,005
Unallocated assets										113,293
Total assets										22,609,471
Include: non-current assets (2)	11,327	31,152	17,018	28,137	27,154	40,804	11,289	18,028	–	184,909
Segment liabilities	(3,676,865)	(4,763,609)	(2,819,997)	(3,987,753)	(3,306,792)	(4,567,877)	(978,231)	(971,384)	4,187,211	(20,885,297)
Unallocated liabilities										(49,387)
Total liabilities										(20,934,684)
Loan commitments and financial guarantee contracts	39,120	529,584	324,158	359,054	297,915	304,479	76,623	79,872	–	2,010,805

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

42 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

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

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2019					
External interest income	167,230	109,176	142,303	2,861	421,570
External interest expense	(54,470)	(98,521)	(29,631)	(1,316)	(183,938)
Inter-segment interest income/(expense)	1,863	81,227	(83,090)	–	–
Net interest income	114,623	91,882	29,582	1,545	237,632
Fee and commission income	31,183	25,214	54	845	57,296
Fee and commission expense	(3,359)	(3,006)	(1)	(31)	(6,397)
Net fee and commission income	27,824	22,208	53	814	50,899
Net trading gain	–	–	8,186	4,045	12,231
Net gain/(loss) on financial investments	39	(2)	802	241	1,080
Other operating income	559	520	1,960	19,586	22,625
Operating income	143,045	114,608	40,583	26,231	324,467
Operating expenses	(32,984)	(40,450)	(11,524)	(20,195)	(105,153)
Credit impairment losses	(36,977)	(35,283)	(1,135)	(80)	(73,475)
Impairment losses on other assets	16	65	1	(34)	48
Operating profit	73,100	38,940	27,925	5,922	145,887
Share of results of associates and joint ventures	–	–	–	(25)	(25)
Profit before tax	73,100	38,940	27,925	5,897	145,862
Income tax expense					(23,490)
Profit for the period					122,372
Depreciation and amortization included in operating expenses	2,043	5,243	1,729	173	9,188
Capital expenditure	393	1,126	396	736	2,651
As at 30 June 2019					
Segment assets	7,654,763	5,443,483	10,387,732	365,214	23,851,192
Including: Investment in associates and joint ventures	–	–	–	4,962	4,962
Unallocated assets					123,961
Total assets					23,975,153
Segment liabilities	(8,439,307)	(11,612,695)	(1,965,643)	(189,690)	(22,207,335)
Unallocated liabilities					(29,683)
Total liabilities					(22,237,018)
Loan commitments and financial guarantee contracts	1,474,499	730,491	–	–	2,204,990

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury Operations	Others	Consolidatd total
For the six months ended 30 June 2018					
External interest income	153,079	91,612	130,731	2,872	378,294
External interest expense	(43,273)	(72,946)	(26,910)	(1,332)	(144,461)
Inter-segment interest Income/(expense)	6,395	80,015	(86,410)	–	–
Net interest income	116,201	98,681	17,411	1,540	233,833
Fee and commission income	25,729	21,795	–	972	48,496
Fee and commission expense	(2,374)	(2,455)	(1)	(29)	(4,859)
Net fee and commission income	23,355	19,340	(1)	943	43,637
Net trading gain	–	–	5,349	2,457	7,806
Net (loss)/gain on financial investments	(97)	73	4,078	22	4,076
Net gain on derecognition of financial assets measured at amortized cost	–	–	2	–	2
Other operating income	757	728	2,231	14,880	18,596
Operating income	140,216	118,822	29,070	19,842	307,950
Operating expenses	(32,793)	(41,595)	(9,739)	(15,834)	(99,961)
Credit impairment losses	(53,272)	(14,959)	1,497	317	(66,417)
Impairment losses on other assets	(26)	–	–	–	(26)
Operating profit	54,125	62,268	20,828	4,325	141,546
Share of result of associate	–	–	–	6	6
Profit before tax	54,125	62,268	20,828	4,331	141,552
Income tax expense					(25,576)
Profit for the period					115,976
Depreciation and amortization included in operating expenses	1,846	4,843	1,461	86	8,236
Capital expenditure	473	1,439	471	1,065	3,448
At 31 December 2018					
Segment assets	7,034,426	5,051,815	10,086,338	323,599	22,496,178
Including: Investment in associates and joint ventures	–	–	–	4,005	4,005
Unallocated assets					113,293
Total assets					22,609,471
Segment liabilities	(7,829,685)	(10,800,316)	(2,077,681)	(177,615)	(20,885,297)
Unallocated liabilities					(49,387)
Total liabilities					(20,934,684)
Loan commitments and financial guarantee contracts	1,338,766	672,039	–	–	2,010,805

42 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)

42 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 2019				
External interest income	95,936	325,634	–	421,570
External interest expense	(57,923)	(126,015)	–	(183,938)
Inter-segment interest income/(expense)	57,514	(57,514)	–	–
Net interest income	95,527	142,105	–	237,632
Fee and commission income	21,719	35,577	–	57,296
Fee and commission expense	(2,576)	(3,821)	–	(6,397)
Net fee and commission income	19,143	31,756	–	50,899
Net trading gain	666	11,565	–	12,231
Net gain on financial investments	–	1,080	–	1,080
Other operating income	1,784	20,841	–	22,625
Operating income	117,120	207,347	–	324,467
Operating expenses	(39,121)	(66,032)	–	(105,153)
Credit impairment losses	(32,350)	(41,125)	–	(73,475)
Impairment losses on other assets	35	13	–	48
Operating profit	45,684	100,203	–	145,887
Share of results of associates and joint ventures	–	(25)	–	(25)
Profit before tax	45,684	100,178	–	145,862
Income tax expense				(23,490)
Profit for the period				122,372
Depreciation and amortization included in operating expenses	3,741	5,447	–	9,188
Capital expenditure	304	2,347	–	2,651
As at 30 June 2019				
Segment assets	8,684,222	15,248,072	(81,102)	23,851,192
Including: Investment in associates and joint ventures	–	4,962	–	4,962
Unallocated assets				123,961
Total assets				23,975,153
Segment liabilities	(8,110,537)	(14,177,900)	81,102	(22,207,335)
Unallocated liabilities				(29,683)
Total liabilities				(22,237,018)
Loan commitments and financial guarantee contracts	617,027	1,587,963	–	2,204,990

(Amounts in millions of Renminbi, unless otherwise stated)

42 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 2018				
External interest income	84,584	293,710	–	378,294
External interest expense	(44,575)	(99,886)	–	(144,461)
Inter-segment interest income/(expense)	56,149	(56,149)	–	–
Net interest income	96,158	137,675	–	233,833
Fee and commission income	18,620	29,876	–	48,496
Fee and commission expense	(1,964)	(2,895)	–	(4,859)
Net fee and commission income	16,656	26,981	–	43,637
Net trading gain	18	7,788	–	7,806
Net gain on financial investments	4	4,072	–	4,076
Net gain on derecognition of financial assets measured at amortized cost	–	2	–	2
Other operating income	1,965	16,631	–	18,596
Operating income	114,801	193,149	–	307,950
Operating expenses	(38,619)	(61,342)	–	(99,961)
Credit impairment losses	(33,721)	(32,696)	–	(66,417)
Impairment losses on other assets	(9)	(17)	–	(26)
Operating profit	42,452	99,094	–	141,546
Share of results of associate	–	6	–	6
Profit before tax	42,452	99,100	–	141,552
Income tax expense				(25,576)
Profit for the period				115,976
Depreciation and amortization included in operating expenses	3,769	4,467	–	8,236
Capital expenditure	642	2,806	–	3,448
At 31 December 2018				
Segment assets	8,067,374	14,537,570	(108,766)	22,496,178
Including: Investment in associates and joint ventures	–	4,005	–	4,005
Unallocated assets				113,293
Total assets				22,609,471
Segment liabilities	(7,553,604)	(13,440,459)	108,766	(20,885,297)
Unallocated liabilities				(49,387)
Total liabilities				(20,934,684)
Loan commitments and financial guarantee contracts	569,419	1,441,386	–	2,010,805

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2019, the MOF directly owned 39.21% (31 December 2018: 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 2019	31 December 2018
Assets		
Treasury bonds and special government bond	**640,093**	655,946
Receivable from the MOF	**303,560**	298,734
Other accounts receivable	**867**	9,444
Liabilities		
Amount payable to the MOF	**1,736**	1,487
Customer deposits	**21,940**	13,250
Other liability		
— redemption of treasury bonds on behalf of the MOF	**4**	41
— amount payable to the MOF	**99**	80

	Six months ended 30 June	
	2019	2018
Interest income	**14,277**	13,479
Interest expense	**(137)**	(169)
Fee and commission income	**680**	2,219
Investment income	**88**	129

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

	Six months ended 30 June	
	2019	2018
	%	%
Treasury bonds and receivable from the MOF	**2.29–5.41**	2.25–5.41
Customer deposits	**0.0001–3.41**	0.0001–3.12

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note 45 Contingent Liabilities and Commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, the 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 2019, Huijin directly owned 40.03% (31 December 2018: 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 2019	31 December 2018
Assets		
Loans and advances to customers	**12,015**	28,034
Investment in debt securities	**62,418**	37,438
Liabilities		
Customer deposits	**22,978**	12,063

	Six months ended 30 June	
	2019	2018
Interest income	**1,517**	904
Interest expense	**(127)**	(70)
Investment income	**24**	4

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

	Six months ended 30 June	
	2019	2018
	%	%
Loans and advances to customers	**4.35**	3.92–4.35
Investment in debt securities	**2.95–5.15**	2.75–5.15
Principal guaranteed wealth management products issued by the Bank	**–**	4.37–4.41
Customer deposits	**1.38–2.18**	0.30–1.76

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

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 2019	31 December 2018
Assets		
Deposits with banks and other financial institutions	**72,773**	31,990
Precious metal leasing	**7,863**	712
Placements with and loans to banks and other financial institutions	**65,691**	51,809
Derivative financial assets	**2,372**	3,866
Financial assets held under resale agreements	**8,165**	24,205
Loans and advances to customers	**43,972**	59,338
Investment securities	**809,552**	784,423
Liabilities		
Deposits from banks and other financial institutions	**134,279**	91,880
Placements from banks and other financial institutions	**101,847**	83,786
Derivative financial liabilities	**4,552**	7,920
Financial assets sold under repurchase agreements	**5,001**	360
Deposits from customers	**2,333**	–
Equity		
Preference shares	**2,000**	2,000
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	**1,500**	1,556

(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.

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(3) The Group and other government related entities (Continued)

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

	30 June 2019	31 December 2018
Assets		
Placements with and loans to banks and other financial institutions	**38,656**	29,761
Financial assets held under resale agreements	**1,164**	3,008
Investment in debt securities	**1,349**	620
Loans and advances to customers	**–**	1,022
Other assets	**18**	711
Liabilities		
Deposits from banks and other financial institutions	**25,244**	4,039
Placements from banks and other financial institutions	**–**	63
Deposits from customers	**1,411**	3,208
Other liabilities	**763**	721
Off-balance sheet items		
Letters of guarantee issued and guarantees	**16,294**	16,267

	Six months ended 30 June	
	2019	2018
Interest income	**290**	109
Fee and commission income	**775**	711
Other operating income	**15**	5
Interest expense	**(52)**	(39)
Operating expense	**(57)**	(5)
Other operating expense	**(30)**	–

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(4) The Bank and its subsidiaries (Continued)

	Six months ended 30 June	
	2019	2018
	%	%
Placements with and loans to banks and other financial institutions	**0.50–4.25**	0.01–5.25
Financial assets held under resale agreements	**2.60–3.20**	–
Investment in debt securities	**2.38–4.70**	2.38–2.50
Loans and advances to customers	**4.60**	2.04–4.79
Deposits from banks and other financial institutions	**0.01–3.05**	0.01–4.75
Placements from banks and other financial institutions	**–**	0–3.70
Customer deposits	**0.30–3.85**	0.30–3.85

(5) The Group and its associates and joint ventures

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

	30 June 2019	31 December 2018
Placements with banks and other financial institutions	**39**	157

	Six months ended 30 June	
	2019	2018
	%	%
Placements with banks and other financial institutions	**0.01**	–

For the six months ended 30 June 2019 and 30 June 2018, transaction profit or loss between the Group and its associates and joint ventures was not significant.

(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. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with key management personnel and their related parties in the normal course of business. As at 30 June 2019, the balance of loans and advances to the key management personnel and their related parties is RMB6.34 million (31 December 2018: RMB8.24 million).

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(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 2019	31 December 2018
Deposits from Annuity Scheme	**3,274**	3,197

	Six months ended 30 June	
	2019	2018
Interest expense	**(114)**	–

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

	Six months ended 30 June	
	2019	2018
	%	%
Deposits from Annuity Scheme	**0.00–5.00**	–

44 STRUCTURED ENTITIES

(1) Consolidated structured entities

Principal guaranteed wealth management products("WMPs") sponsored and managed by the Group

Principal guaranteed WMPs sponsored 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 financial assets and financial liabilities at fair value through profit or loss, respectively.

Other consolidated structured entities

Other structured entities consolidated by the Group include certain asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 30 June 2019, the total assets of these consolidated structured entities were RMB363,062 million (31 December 2018: RMB363,248 million).

44 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income.

As at 30 June 2019, the total assets invested by these WMPs amounted to RMB1,537,897 million (31 December 2018: RMB1,706,487 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,307,820 million (31 December 2018: RMB1,408,263 million). For the six months ended 30 June 2019, the Group's interest in these WMPs included net fee and commission income of RMB2,296 million (Six months ended 30 June 2018: RMB1,753 million) and net interest income of RMB302 million (Six months ended 30 June 2018: RMB378 million), which related to placements and repo transactions entered into by the Group with these WMP Vehicles.

The Group has entered into placements and repo transactions at market interest rates with these WMPs. The average balance for the six months ended 30 June 2019 and the outstanding balance as at 30 June 2019 of these transactions were RMB14,131 million (weighted average outstanding period of 5.20 days) (Six months ended 30 June 2018: RMB10,577 million and 5.28 days) and RMB67,847 million (31 December 2018: RMB142,914 million), respectively.The Group was under no obligation to enter into these transactions. As at 30 June 2019 and 31 December 2018, 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 WMPs.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMPs or any third parties that could increase the level of the Group's risk from WMPs disclosed above during the period ended 30 June 2019 and the year ended 31 December 2018. The Group was not required to absorb any losses incurred by WMPs. During the period ended 30 June 2019 and the year ended 31 December 2018, no loss was incurred by these WMPs relating to the Group's interests in these WMPs, and the WMPs did not experience difficulty in financing their activities.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds and asset management plans. As at 30 June 2019, the total assets of these products amounted to RMB579,813 million (31 December 2018: RMB684,653 million). During the period ended 30 June 2019, the Group's interest in these products mainly included net fee and commission income of RMB483 million(2018: RMB1,093 million).

44 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities (Continued)

Other 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. These unconsolidated structured entities primarily include asset management plans, funds and asset-backed securities. As at 30 June 2019, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB68,884 million (31 December 2018: RMB60,663 million), included under the financial assets at fair value through profit or loss, Other debt instrument investments at fair value through other comprehensive income and debt instrument investments at amortized cost categories in the consolidated statement of financial position. The information on the size of total assets of these unconsolidated structured entities was not readily available from the public domain.

45 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2019, provisions of RMB4,299 million were made by the Group (31 December 2018: RMB4,438 million) based on court judgments or advice of legal counsel, and included in Note 34 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.

On 28 September 2016, the Bank and its New York Branch entered into a Cease and Desist Order with the Board of Governors of the Federal Reserve System of the United States. On 4 November 2016, the Bank and its New York Branch entered into a Consent Order with New York State Department of Financial Services (the "Department") and paid a civil monetary penalty to the Department accordingly. As at 31 December 2016, the above-mentioned civil monetary penalty was paid and reflected in the consolidated financial statements for the year ended 31 December 2016.

The Bank and its New York Branch are taking affirmative actions to respond to other requirements under these two orders. As at the date of these financial statements, the Group is of the view that it is not practicable to estimate whether there will be any further regulatory actions undertaken by the US regulators as this will be dependent upon the regulatory conclusion after the Bank's and its New York Branch's actions towards the other requirements under these two orders. As such, the Group did not accrue any further provision over this matter as at 30 June 2019.

(Amounts in millions of Renminbi, unless otherwise stated)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Capital commitments

	30 June 2019	31 December 2018
Contracted but not provided for	**3,023**	2,934

In addition, as at 30 June 2019 and 31 December 2018, the Group did not have outstanding equity investment commitments for its investee companies.

Loan commitments and financial guarantee contracts

	30 June 2019	31 December 2018
Loan commitments		
— With an original maturity of less than 1 year	**105,961**	178,564
— With an original maturity of 1 year or above	**823,297**	728,218
Subtotal	**929,258**	906,782
Bank acceptance	**311,917**	242,489
Credit card commitments	**602,647**	538,870
Guarantee and letters of guarantee	**213,528**	191,250
Letters of credit	**147,640**	131,414
Total	**2,204,990**	2,010,805

Loan commitments and financial guarantee contracts 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.

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 CBIRC 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 2019 and 31 December 2018, credit risk weighted amount for credit commitments was measured under the Internal Ratings — Based approach.

	30 June 2019	31 December 2018
Credit risk weighted amount for credit commitments	**1,065,257**	950,993

(Amounts in millions of Renminbi, unless otherwise stated)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

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 2019	31 December 2018
Debt securities	**54,348**	163,937
Bills	**10**	–
Total	**54,358**	163,937

As at 30 June 2019, The financial assets sold under repurchase agreements (Note 31) by the Group 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 46 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 and borrowings from central banks etc. by the Group as at 30 June 2019 amounted to RMB695,464 million in total (31 December 2018: RMB826,551 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note 20 Financial Assets Held Under Resale Agreements). The Group did not hold any collateral that can be resold or re-pledged as at 30 June 2019 and 31 December 2018.

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.

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Redemption commitment for treasury bonds (Continued)

As at 30 June 2019, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB72,000 million (31 December 2018: RMB70,702 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.

Commitment on security underwriting

As at 30 June 2019 and 31 December 2018, the Group did not have unfulfilled commitment in respect of securities underwriting business.

46 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 entities. 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.

Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

As at 30 June 2019, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB75,451 million(31 December 2018 RMB37,378 million). RMB18,520 million of this balance (31 December 2018: RMB16,699 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full de-recognition. The remaining balance of RMB56,931 million (31 December 2018: RMB20,679 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 30 June 2019, the Group continued to recognize assets of RMB8,275 million (31 December 2018: RMB2,367 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

46 TRANSFERRED FINANCIAL ASSETS (Continued)

Transfer of non-performing loans

During the period ended 30 June 2019, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB21,338 million (During the period ended 30 June 2018: RMB12,175 million), of which RMB1,822 million (During the period ended 30 June 2018: Nil) was through issuing asset-back securities disclosed above. The Group concluded that these transferred assets qualified for full derecognition.

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 2019, of these collateral pledged disclosed in Note 45 Contingent Liabilities and Commitments — Collateral, RMB37,941 million (31 December 2018: RMB46,250 million) represented debt securities whereby legal title has been transferred to counterparties.

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 30 June 2019, the carrying amount of debt securities lent to counterparties was RMB35,983 million (31 December 2018: RMB49,342 million).

47 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.

47 FINANCIAL RISK MANAGEMENT (Continued)

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.

47.1 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 and governance structure comprise 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.

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.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Credit risk management *(Continued)*

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during six months ended 30 June 2019 was RMB23,595 million (During the period ended 30 June 2018: RMB30,654 million). The Group still seeks to recover amounts it is legally owned in full, but which have been written off due to no reasonable expectation of full recovery.

During the reporting period, the Group continually strengthened the comprehensive risk management and held to the bottom line with acceptable results. The "Clean Sheet Plan" had been steadily implemented. Non-performing loans had achieved double down again, and the quality of assets had a better development. The provision coverage rate continued to increase, and the risk compensation capability was enhanced. Meanwhile, the exposure in the industry with excessive loans was under strict control, and the credit structure was optimized. The Group improved the market risk management system, and the market risk limits were within the targeted range. In that case, the market business risk was generally controlled. The Group also strengthened the asset-liability matching management, eliminated difficulty in financing channels and guaranteed adequate supply of high-quality liquid asset to ensure the safety of liquidity. Under such a circumstance, the Group balanced the liquidity, safety and profitability in an effective way.

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation 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 limits in credit system. In addition, the Group also provide 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.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments carried at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Measurement of ECL** (Continued)*

The Group assesses ECL in light of forward-looking information and uses complex models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgments, assumptions and estimates where appropriate, including:

— Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL
— Parameters for measuring ECL
— Criteria for significant increase in credit risk and default definition
— Definition of credit-impaired financial asset
— Forward-looking information
— Estimation of future cash flows for Stage III wholesale credit assets

Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. The Group classified clients into wholesale clients and retail clients based on the nature of debtors. In performing the portfolio segmentation of wholesale credit assets, the Group considers the type of borrower, industry, loan usage, and security type. When performing the portfolio segmentation for retail credit assets, the Group considers loan product type and security type to ensure the reliability of its credit risk segmentation.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The key parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD model, LGD model and EAD model based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analyzes of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Measurement of ECL** (Continued)*

Parameters for measuring ECL (Continued)

The parameters are defined as follows:

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation;

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (Lifetime EAD).

— LGD represents the Group's expectation of the extent of loss on defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if default occurs over the remaining expected lifetime of the loan.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether or not there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract or have a significant impact on the normal debt repayment.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Criteria for significant increase in credit risk ("SICR") and default definition (Continued)

The Group sets quantitative and qualitative criteria to determine whether or not the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria include changes in the borrower's PD, changes in its credit risk classification and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the borrower's PD rises to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk varied based on the original PD upon initial recognition. According to IFRS 9, a backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk.

Definition of credit-impaired financial asset

The criteria with a date of transition of 1 January 2018 adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instrument, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as a default or past due event in relation to interest or principal payment;

— The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— The disappearance of an active market for that financial asset because of financial difficulties;

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

— The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Forward-looking information

The assessment of whether or not there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various portfolio. Key economic indicators include Gross Domestic Product (GDP), Money Supply (M2) and Consumer Price Index (CPI), etc.

The impact of these economic indicators on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analyzes to determine the correlation between these economic indicators and the PDs and LGDs. The Group assess and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses results. Among the forecasted economic indicators, the core economic indicator GDP of base scenario aligned with the development target set and published by the central government.

Based on statistical analyzes and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding macro-economic forecast under each scenario. The macro-economic forecasts of core indicator under upside and downside scenarios deviate less than 10% of that under base scenario. The weighting of base scenario is greater than the aggregated weightings of the rest scenarios. The Group uses the weighted 12-month ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 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 2019	31 December 2018
Balances with central banks	**2,465,327**	2,707,018
Deposits with banks and other financial institutions	**214,962**	109,728
Placements with and loans to banks and other financial institutions	**461,315**	552,013
Derivative financial assets	**18,207**	36,944
Financial assets held under resale agreements	**321,801**	371,001
Loans and advances to customers	**12,475,790**	11,461,542
Financial investments		
Financial asset at fair value through profit or loss	**643,782**	591,787
Debt instrument investments at amortized cost	**4,756,098**	4,503,698
Other debt instrument investments at fair value through other comprehensive income	**1,831,346**	1,735,892
Other financial assets	**169,797**	58,992
Subtotal	**23,358,425**	22,128,615
Loan commitments and financial guarantee contracts	**2,183,609**	1,990,282
Total	**25,542,034**	24,118,897

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 through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 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.

Loans and advances to customers (i)

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 2019		31 December 2018	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Head Office	**346,378**	**4.4**	303,637	4.2
Yangtze River Delta	**1,686,067**	**21.5**	1,548,750	21.4
Pearl River Delta	**942,312**	**12.0**	842,577	11.6
Bohai Rim	**1,195,547**	**15.2**	1,128,923	15.6
Central China	**1,099,713**	**14.0**	1,017,666	14.1
Western China	**1,852,679**	**23.5**	1,721,056	23.8
Northeastern China	**315,248**	**4.0**	296,755	4.1
Overseas and Others	**421,949**	**5.4**	376,997	5.2
Subtotal	**7,859,893**	**100.0**	7,236,361	100.0
Personal loans and advances				
Head Office	**57**	**–**	66	–
Yangtze River Delta	**1,207,884**	**23.7**	1,125,425	24.1
Pearl River Delta	**1,108,204**	**21.7**	1,019,760	21.8
Bohai Rim	**759,859**	**14.9**	705,802	15.1
Central China	**809,016**	**15.9**	731,709	15.6
Western China	**1,026,578**	**20.1**	919,657	19.7
Northeastern China	**178,051**	**3.5**	163,452	3.5
Overseas and Others	**12,760**	**0.2**	11,393	0.2
Subtotal	**5,102,409**	**100.0**	4,677,264	100.0
Gross loans and advances to customers	**12,962,302**		11,913,625	

(i) The below information does not include accrued interests of loans and advances to customers.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 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 2019		31 December 2018	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	**1,587,058**	**20.2**	1,410,827	19.5
Manufacturing	**1,341,810**	**17.1**	1,255,497	17.3
Leasing and commercial services	**1,034,755**	**13.1**	923,992	12.8
Production and supply of power, heat, gas and water	**887,982**	**11.3**	868,758	12.0
Real estate	**708,297**	**9.0**	619,101	8.6
Finance	**553,074**	**7.0**	600,813	8.3
Water, environment and public utilities management	**509,299**	**6.5**	438,208	6.1
Retail and wholesale	**395,618**	**5.0**	385,639	5.3
Construction	**281,636**	**3.6**	245,584	3.4
Mining	**218,156**	**2.8**	201,790	2.8
Others	**342,208**	**4.4**	286,152	3.9
Subtotal	**7,859,893**	**100.0**	7,236,361	100.0
Personal loans and advances				
Residential mortgage	**3,923,858**	**76.9**	3,661,900	78.3
Personal business	**259,596**	**5.1**	216,588	4.6
Personal consumer	**166,703**	**3.3**	166,285	3.6
Credit cards	**454,675**	**8.9**	380,720	8.1
Others	**297,577**	**5.8**	251,771	5.4
Subtotal	**5,102,409**	**100.0**	4,677,264	100.0
Gross loans and advances to customers	**12,962,302**		11,913,625	

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 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 2019			
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Unsecured loans	**1,367,494**	**827,860**	**1,319,071**	**3,514,425**
Guaranteed loans	**649,570**	**398,972**	**465,028**	**1,513,570**
Loans secured by collateral	**847,155**	**443,277**	**4,561,483**	**5,851,915**
Pledged loans	**651,461**	**112,107**	**1,318,824**	**2,082,392**
Total	**3,515,680**	**1,782,216**	**7,664,406**	**12,962,302**

	31 December 2018			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,427,185	579,653	1,203,211	3,210,049
Guaranteed loans	576,797	362,033	428,125	1,366,955
Loans secured by collateral	791,952	399,413	4,260,910	5,452,275
Pledged loans	626,118	90,126	1,168,102	1,884,346
Total	3,422,052	1,431,225	7,060,348	11,913,625

(4) Past due loans

	30 June 2019					
	Up to 30 days	**31–90 days**	**91 to 360 days**	**361 days to 3 years**	**Over 3 years**	**Total**
Unsecured loans	**5,340**	**3,909**	**7,292**	**480**	**525**	**17,546**
Guaranteed loans	**8,839**	**2,311**	**16,210**	**12,558**	**3,812**	**43,730**
Loans secured by collateral	**29,892**	**14,155**	**25,729**	**31,722**	**10,273**	**111,771**
Pledged loans	**5,730**	**2,260**	**8,679**	**3,064**	**1,392**	**21,125**
Total	**49,801**	**22,635**	**57,910**	**47,824**	**16,002**	**194,172**

	31 December 2018					
	Up to 30 days	31–90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	11,624	2,912	7,030	445	716	22,727
Guaranteed loans	11,129	4,646	16,181	16,401	4,060	52,417
Loans secured by collateral	28,360	16,480	31,174	31,880	9,293	117,187
Pledged loans	4,033	274	2,641	1,906	1,747	10,601
Total	55,146	24,312	57,026	50,632	15,816	202,932

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

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

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

(5) Credit quality of loans and advances to customers

As at 30 June 2019 and 31 December 2018, the credit quality of loans and advances to customers by stages is disclosed in Note 21.

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after modified, so that the assets are moved from Stage 3 or Stage 2 to Stage 1, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

In order to collect loans as much as possible, the Group may renegotiate the terms of the contract with borrowers because of deterioration in their financial position, or of the inability to meet their original repayment schedule. Such contract modifications include roll over of loan, extension of non-payment period or repayment period. Based on the management's judgment of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. In most cases, medium and long-term loans are considered to reschedule. Rescheduled loans should be reviewed after at least 6 months of observation and reach the corresponding stage classification criteria. Concessions are given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Rescheduled loans and advances of the Group as at 30 June 2019 amounted to RMB55,040 million (31 December 2018: RMB59,232 million).

During the period ended 30 June 2019, as a result of loan renegotiations, the Group recognized ordinary shares upon renegotiation of RMB1,737 million (during the period ended 30 June 2018: RMB101 million). The loss associated with these loan renegotiations was not significant.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

(7) Assets foreclosed under credit enhancement arrangement

Such assets are disclosed as foreclosed assets in Note 22.1 Financial assets at fair value through profit or loss and Note 26 Other assets.

Debt instruments

(1) Credit quality of debt instruments

Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instruments at fair value through other comprehensive income were disclosed in Note 22.2 and Note 22.3, respectively.

(2) 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 Group classified the credit risk levels of financial assets measured by ECL into "Low"(credit risk in good condition), "Medium"(increased credit risk), and "High"(credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Debt instruments *(Continued)*

(2) Debt instruments analyzed by credit rating (Continued)

The carrying amounts of debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by rating as at the end of the reporting period are as follows:

	30 June 2019			
Credit grade	**Low**	**Medium**	**High**	**Total**
Debt securities issued by:				
— Governments	**2,834,329**	**–**	**–**	**2,834,329**
— Public sector and quasi-governments	**1,562,351**	**–**	**–**	**1,562,351**
— Financial institutions	**904,292**	**–**	**–**	**904,292**
— Corporates	**311,066**	**4,984**	**16**	**316,066**
Special government bond	**95,174**	**–**	**–**	**95,174**
Receivable from the MOF	**303,560**	**–**	**–**	**303,560**
Certificate treasury bonds and savings treasury bonds	**537,962**	**–**	**–**	**537,962**
Other	**33,647**	**–**	**63**	**33,710**
Total	**6,582,381**	**4,984**	**79**	**6,587,444**

	As at 31 December 2018			
Credit grade	Low	Medium	High	Total
Bonds				
Governments	3,041,961	–	–	3,041,961
Public sector and quasi-governments	1,556,598	–	–	1,556,598
Financial institutions	848,336	–	–	848,336
Corporates	356,695	5,292	177	362,164
Special government bond	93,358	–	–	93,358
Receivable from the MOF	298,734	–	–	298,734
Certificate treasury bonds and savings treasury bonds	3,908	–	–	3,908
Others	34,469	–	62	34,531
Total	6,234,059	5,292	239	6,239,590

(i) The ratings above were internal ratings obtained from the Group, financial assets at fair value through profit or loss was not included in the credit grade table above.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 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)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 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 2019								
	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	–	277,681	7,913	2,662	15,769	–	–	2,252,484	2,556,509
Deposits with banks and other financial institutions	–	101,493	5,294	10,759	90,470	6,706	240	–	214,962
Placements with and loans to banks and other financial institutions	11	–	103,883	112,220	202,477	37,170	5,554	–	461,315
Derivative financial assets	–	–	7,337	2,992	7,335	496	47	–	18,207
Financial assets held under resale agreements	3,872	–	288,850	12,235	16,844	–	–	–	321,801
Loans and advances to customers	22,462	–	514,864	638,865	2,698,606	2,582,911	6,018,082	–	12,475,790
Financial assets at fair value through profit or loss	–	7,718	37,489	95,782	232,327	139,802	138,457	45,817	697,392
Debt instrument investments at amortized cost	–	–	72,112	109,239	415,595	2,539,985	1,619,167	–	4,756,098
Other debt instrument and other equity investments at fair value through other comprehensive income	–	298	88,720	92,933	497,838	839,583	311,974	2,978	1,834,324
Other financial assets	3,065	153,678	6,084	391	3,634	81	3	2,861	169,797
Total financial assets	29,410	540,868	1,132,546	1,078,078	4,180,895	6,146,734	8,093,524	2,304,140	23,506,195
Borrowings from central banks	–	(30)	(113,459)	(127,488)	(228,635)	(451)	–	–	(470,063)
Deposits from banks and other financial institutions	–	(796,568)	(96,678)	(235,612)	(77,346)	(67,679)	–	–	(1,273,883)
Placements from banks and other financial institutions	–	–	(153,986)	(106,200)	(72,455)	(8,025)	(7,984)	–	(348,650)
Financial liabilities at fair value through profit or loss	–	(16,414)	(48,133)	(82,103)	(88,818)	(240)	–	–	(235,708)
Derivative financial liabilities	–	–	(7,490)	(6,047)	(16,162)	(1,478)	(483)	–	(31,660)
Financial assets sold under repurchase agreements	–	–	(14,528)	(16,964)	(19,765)	–	–	–	(51,257)
Due to customers	–	(11,209,935)	(497,610)	(936,339)	(3,252,772)	(2,632,362)	(156)	–	(18,529,174)
Debt securities issued	–	–	(104,978)	(194,337)	(221,772)	(51,951)	(339,348)	–	(912,386)
Other financial liabilities	–	(164,480)	(72,743)	(1,298)	(5,615)	(10,030)	(766)	(1,775)	(256,707)
Total financial liabilities	–	(12,187,427)	(1,109,605)	(1,706,388)	(3,983,340)	(2,772,216)	(348,737)	(1,775)	(22,109,488)
Net position	29,410	(11,646,559)	22,941	(628,310)	197,555	3,374,518	7,744,787	2,302,365	1,396,707

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

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

	31 December 2018								
	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	–	321,644	6,895	1,156	6,046	–	–	2,469,366	2,805,107
Deposits with banks and other financial institutions	–	79,736	9,341	4,634	9,409	6,608	–	–	109,728
Placements with and loans to banks and other financial institutions	11	–	240,801	100,189	169,472	37,409	4,131	–	552,013
Derivative financial assets	–	–	7,633	11,579	16,025	1,257	450	–	36,944
Financial assets held under resale agreements	3,872	–	352,749	12,627	1,753	–	–	–	371,001
Loans and advances to customers	14,617	–	538,045	615,065	2,435,236	2,376,458	5,482,121	–	11,461,542
Financial assets at fair value through profit or loss	–	5,268	55,119	70,797	198,207	143,862	134,228	35,764	643,245
Debt instrument investments at amortized cost	–	2	56,424	98,997	414,999	2,410,422	1,522,854	–	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	41,872	103,062	465,868	886,821	238,269	2,240	1,738,132
Other financial assets	1,966	49,601	1,170	614	2,316	52	4	3,269	58,992
Total financial assets	20,466	456,251	1,310,049	1,018,720	3,719,331	5,862,889	7,382,057	2,510,639	22,280,402
Borrowings from central banks	–	(30)	(50,553)	(99,248)	(410,911)	(453)	–	–	(561,195)
Deposits from banks and other financial institutions	–	(556,486)	(41,138)	(243,528)	(225,963)	(35,129)	(22,078)	–	(1,124,322)
Placements from banks and other financial institutions	–	–	(126,386)	(97,578)	(85,617)	(8,518)	(7,442)	–	(325,541)
Financial liabilities at fair value through profit or loss	–	(17,188)	(79,934)	(81,225)	(104,518)	(3,400)	(38)	–	(286,303)
Derivative financial liabilities	–	–	(6,977)	(9,929)	(16,611)	(925)	(112)	–	(34,554)
Financial assets sold under repurchase agreements	–	–	(118,263)	(15,769)	(22,869)	(200)	–	–	(157,101)
Due to customers	–	(10,574,096)	(545,318)	(1,244,458)	(2,695,212)	(2,286,609)	(597)	–	(17,346,290)
Debt securities issued	–	–	(50,591)	(204,552)	(225,219)	(57,346)	(242,965)	–	(780,673)
Other financial liabilities	–	(102,519)	(68,976)	(1,668)	(4,130)	(2,803)	(80)	(1,601)	(181,777)
Total financial liabilities	–	(11,250,319)	(1,088,136)	(1,997,955)	(3,791,050)	(2,395,383)	(273,312)	(1,601)	(20,797,756)
Net position	20,466	(10,794,068)	221,913	(979,235)	(71,719)	3,467,506	7,108,745	2,509,038	1,482,646

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 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 other debt instrument and other equity investments at fair value through other comprehensive income 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 2019								
	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	–	277,681	7,913	2,662	15,769	–	–	2,252,484	2,556,509
Deposits with banks and other financial institutions	69	101,492	5,301	10,811	92,720	6,706	240	–	217,339
Placements with and loans to banks and other financial institutions	11	–	105,123	113,862	214,223	42,678	8,881	–	484,778
Financial assets held under resale agreements	3,872	–	289,353	12,296	17,530	–	–	–	323,051
Loans and advances to customers	98,798	–	583,879	762,118	3,204,836	4,116,601	8,975,051	–	17,741,283
Financial assets at fair value through profit or loss	–	7,718	37,593	97,185	238,899	167,185	154,704	45,817	749,101
Debt instrument investments at amortized cost	–	–	87,583	136,411	517,539	2,934,562	1,890,194	–	5,566,289
Other debt instrument and other equity investments at fair value through other comprehensive income	–	298	92,228	102,522	529,227	919,852	349,236	2,978	1,996,341
Other financial assets	–	153,678	6,084	391	3,634	81	3	2,861	166,732
Total non-derivative financial assets	102,750	540,867	1,215,057	1,238,258	4,834,377	8,187,665	11,378,309	2,304,140	29,801,423
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(113,691)	(128,160)	(233,642)	(451)	–	–	(475,974)
Deposits from banks and other financial institutions	–	(796,568)	(96,767)	(236,954)	(79,277)	(79,122)	–	–	(1,288,688)
Placements from banks and other financial institutions	–	–	(154,175)	(106,816)	(74,213)	(9,693)	(9,245)	–	(354,142)
Financial liabilities at fair value through profit or loss	–	(16,414)	(48,952)	(83,527)	(97,736)	(247)	–	–	(246,876)
Financial assets sold under repurchase agreements	–	–	(14,539)	(17,043)	(20,088)	–	–	–	(51,670)
Due to customers	–	(11,210,064)	(498,624)	(938,680)	(3,303,088)	(2,831,339)	(157)	–	(18,781,952)
Debt securities issued	–	–	(105,157)	(198,957)	(242,487)	(118,733)	(401,277)	–	(1,066,611)
Other financial liabilities	–	(164,245)	(72,744)	(1,301)	(5,668)	(10,567)	(998)	(1,775)	(257,298)
Total non-derivative financial liabilities	–	(12,187,321)	(1,104,649)	(1,711,438)	(4,056,199)	(3,050,152)	(411,677)	(1,775)	(22,523,211)
Net position	102,750	(11,646,454)	110,408	(473,180)	778,178	5,137,513	10,966,632	2,302,365	7,278,212

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	31 December 2018								
	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	–	321,644	6,895	1,156	6,046	–	–	2,469,366	2,805,107
Deposits with banks and other financial institutions	–	79,737	9,348	4,655	9,581	6,608	–	–	109,929
Placements with and loans to banks and other financial institutions	11	–	241,562	101,589	173,608	40,319	4,731	–	561,820
Financial assets held under resale agreements	3,872	–	354,045	12,709	1,812	–	–	–	372,438
Loans and advances to customers	97,822	–	600,427	724,144	2,900,449	3,767,258	8,114,986	–	16,205,086
Financial assets at fair value through profit or loss	–	5,268	55,446	73,150	207,930	169,782	151,036	35,764	698,376
Debt instrument investments at amortized cost	–	2	72,020	126,705	524,909	2,503,816	1,767,087	–	4,994,539
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	45,883	112,551	500,456	974,855	268,951	2,240	1,904,936
Other financial assets	–	49,239	987	441	2,009	51	2	3,269	55,998
Total non-derivative financial assets	101,705	455,890	1,386,613	1,157,100	4,326,800	7,462,689	10,306,793	2,510,639	27,708,229
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(50,619)	(99,748)	(419,625)	(449)	–	–	(570,471)
Deposits from banks and other financial institutions	–	(556,485)	(41,322)	(245,144)	(230,699)	(43,494)	(23,719)	–	(1,140,863)
Placements from banks and other financial institutions	–	–	(126,537)	(98,193)	(87,235)	(10,114)	(8,741)	–	(330,820)
Financial liabilities at fair value through profit or loss	–	(17,188)	(79,597)	(81,187)	(104,672)	(3,400)	(39)	–	(286,083)
Financial assets sold under repurchase agreements	–	–	(118,312)	(15,842)	(23,191)	(229)	–	–	(157,574)
Due to customers	–	(10,575,141)	(546,932)	(1,250,206)	(2,737,934)	(2,446,798)	(711)	–	(17,557,722)
Debt securities issued	–	–	(50,644)	(209,621)	(244,927)	(105,830)	(279,335)	–	(890,357)
Other financial liabilities	–	(102,370)	(68,976)	(1,578)	(4,130)	(2,803)	(80)	(1,601)	(181,538)
Total non-derivative financial liabilities	–	(11,251,214)	(1,082,939)	(2,001,519)	(3,852,413)	(2,613,117)	(312,625)	(1,601)	(21,115,428)
Net position	101,705	(10,795,324)	303,674	(844,419)	474,387	4,849,572	9,994,168	2,509,038	6,592,801

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 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 2019					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Interest rate derivatives	**–**	**3**	**16**	**(795)**	**(441)**	**(1,217)**

	31 December 2018					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Interest rate derivatives	–	(12)	108	260	248	604

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis are primarily exchange rate derivatives and precious metal derivatives. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	30 June 2019					
	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	**698,064**	**671,391**	**1,279,488**	**64,205**	**42**	**2,713,190**
— Cash outflow	**(698,199)**	**(674,484)**	**(1,288,439)**	**(64,467)**	**(41)**	**(2,725,630)**
Total	**(135)**	**(3,093)**	**(8,951)**	**(262)**	**1**	**(12,440)**

	31 December 2018					
	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	589,624	649,674	1,636,207	49,275	502	2,925,282
— Cash outflow	(588,961)	(648,038)	(1,637,033)	(49,351)	(496)	(2,923,879)
Total	663	1,636	(826)	(76)	6	1,403

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Off-balance sheet items

The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	30 June 2019			
	Less than 1 year	**1–5 years**	**Over 5 years**	**Total**
Loan commitments	**144,547**	**219,292**	**565,419**	**929,258**
Bank acceptance	**311,917**	**–**	**–**	**311,917**
Credit card commitments	**602,647**	**–**	**–**	**602,647**
Guarantee and letters of guarantee	**111,145**	**87,928**	**14,455**	**213,528**
Letters of credit	**143,088**	**4,552**	**–**	**147,640**
Total	**1,313,344**	**311,772**	**579,874**	**2,204,990**

	31 December 2018			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	132,322	246,008	528,452	906,782
Bank acceptance	242,489	–	–	242,489
Credit card commitments	538,870	–	–	538,870
Guarantee and letters of guarantee	97,061	79,005	15,184	191,250
Letters of credit	127,042	4,372	–	131,414
Total	1,137,784	329,385	543,636	2,010,805

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 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.

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)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 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 2019			
		At the end of the period	**Average**	**Maximum**	**Minimum**
Interest rate risk		**78**	**98**	**116**	**78**
Exchange rate risk	(1)	**153**	**118**	**156**	**62**
Commodity risk		**13**	**19**	**25**	**5**
Overall VaR		**170**	**145**	**172**	**98**

		Six months ended 30 June 2018			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		73	59	83	44
Exchange rate risk	(1)	51	52	94	12
Commodity risk		15	15	19	10
Overall VaR		107	102	134	57

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.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 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 characteristics 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)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 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 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,480,251	50,605	1,030	24,623	2,556,509
Deposits with banks and other financial institutions	132,464	41,364	3,601	37,533	214,962
Placements with and loans to banks and other financial institutions	236,923	166,086	42,130	16,176	461,315
Derivative financial assets	2,834	14,383	158	832	18,207
Financial assets held under resale agreements	321,504	–	–	297	321,801
Loans and advances to customers	12,000,056	356,650	52,031	67,053	12,475,790
Financial assets at fair value through profit or loss	669,568	13,293	10,953	3,578	697,392
Debt instrument investments at amortized cost	4,690,203	49,670	8,472	7,753	4,756,098
Other debt instrument and other equity investments at fair value through other comprehensive income	1,592,719	203,247	1,601	36,757	1,834,324
Other financial assets	152,777	10,644	3,157	3,219	169,797
Total financial assets	22,279,299	905,942	123,133	197,821	23,506,195
Borrowings from central banks	(469,612)	–	–	(451)	(470,063)
Deposits from banks and other financial institutions	(1,200,122)	(43,216)	(26,075)	(4,470)	(1,273,883)
Placements from banks and other financial institutions	(51,959)	(219,087)	(60,727)	(16,877)	(348,650)
Financial liabilities at fair value through profit or loss	(232,210)	(3,498)	–	–	(235,708)
Derivative financial liabilities	(18,476)	(12,060)	(181)	(943)	(31,660)
Financial assets sold under repurchase agreements	(6,841)	(36,887)	–	(7,529)	(51,257)
Due to customers	(18,088,008)	(377,049)	(33,278)	(30,839)	(18,529,174)
Debt securities issued	(611,627)	(229,273)	(34,715)	(36,771)	(912,386)
Other financial liabilities	(240,942)	(12,050)	(1,965)	(1,750)	(256,707)
Total financial liabilities	(20,919,797)	(933,120)	(156,941)	(99,630)	(22,109,488)
Net on-balance sheet position	1,359,502	(27,178)	(33,808)	98,191	1,396,707
Net notional amount of derivatives	204,073	23,689	49,851	(91,996)	185,617
Loan commitments and financial guarantee contracts	1,946,227	219,304	7,294	32,165	2,204,990

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Foreign exchange rate risk *(Continued)*

	31 December 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,755,814	35,337	906	13,050	2,805,107
Deposits with banks and other financial institutions	41,200	52,583	4,312	11,633	109,728
Placements with and loans to banks and other financial institutions	331,738	167,234	39,896	13,145	552,013
Derivative financial assets	4,587	31,613	81	663	36,944
Financial assets held under resale agreements	371,001	–	–	–	371,001
Loans and advances to customers	11,032,180	331,601	46,919	50,842	11,461,542
Financial assets at fair value through profit or loss	616,802	11,160	12,332	2,951	643,245
Debt instrument investments at amortized cost	4,432,187	58,918	4,928	7,665	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	1,518,932	180,027	3,084	36,089	1,738,132
Other financial assets	49,641	6,592	986	1,773	58,992
Total financial assets	21,154,082	875,065	113,444	137,811	22,280,402
Borrowings from central banks	(560,742)	–	–	(453)	(561,195)
Deposits from banks and other financial institutions	(1,061,287)	(31,565)	(17,438)	(14,032)	(1,124,322)
Placements from banks and other financial institutions	(35,678)	(231,041)	(40,199)	(18,623)	(325,541)
Financial liabilities at fair value through profit or loss	(282,865)	(3,438)	–	–	(286,303)
Derivative financial liabilities	(27,894)	(5,470)	(247)	(943)	(34,554)
Financial assets sold under repurchase agreements	(111,942)	(40,008)	–	(5,151)	(157,101)
Due to customers	(16,963,294)	(332,184)	(23,965)	(26,847)	(17,346,290)
Debt securities issued	(497,790)	(209,896)	(31,747)	(41,240)	(780,673)
Other financial liabilities	(168,772)	(9,668)	(944)	(2,393)	(181,777)
Total financial liabilities	(19,710,264)	(863,270)	(114,540)	(109,682)	(20,797,756)
Net on-balance sheet position	1,443,818	11,795	(1,096)	28,129	1,482,646
Net notional amount of derivatives	66,987	17,299	9,749	(24,713)	69,322
Loan commitments and financial guarantee contracts	1,776,217	191,808	9,655	33,125	2,010,805

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 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 2019 Profit before tax	30 June 2019 Other comprehensive income	31 December 2018 Profit before tax	31 December 2018 Other comprehensive income
5% appreciation	**1,723**	**114**	(556)	240
5% depreciation	**(1,723)**	**(114)**	556	(240)

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)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 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 2019						
	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	2,263,732	1,696	15,769	–	–	275,312	2,556,509
Deposits with banks and other financial institutions	105,454	10,577	89,985	5,547	240	3,159	214,962
Placements with and loans to banks and other financial institutions	105,669	111,099	200,921	35,738	4,096	3,792	461,315
Derivative financial assets	–	–	–	–	–	18,207	18,207
Financial assets held under resale agreements	288,526	12,122	16,748	–	–	4,405	321,801
Loans and advances to customers	1,505,012	1,617,940	8,806,391	274,454	242,631	29,362	12,475,790
Financial assets at fair value through profit or loss	51,478	111,169	204,170	133,295	136,519	60,761	697,392
Debt instrument investments at amortized cost	86,193	129,000	406,628	2,459,110	1,591,649	83,518	4,756,098
Other debt instrument and other equity investments at fair value through other comprehensive income	115,965	167,625	458,792	761,105	305,588	25,249	1,834,324
Other financial assets	–	–	–	–	–	169,797	169,797
Total financial assets	4,522,029	2,161,228	10,199,404	3,669,249	2,280,723	673,562	23,506,195
Borrowings from central banks	(110,000)	(124,000)	(226,143)	(455)	–	(9,465)	(470,063)
Deposits from banks and other financial institutions	(891,844)	(233,256)	(74,729)	(66,568)	–	(7,486)	(1,273,883)
Placements from banks and other financial institutions	(153,666)	(106,355)	(71,481)	(7,956)	(7,092)	(2,100)	(348,650)
Financial liabilities at fair value through profit or loss	(42,594)	(76,059)	(82,611)	(16,016)	–	(18,428)	(235,708)
Derivative financial liabilities	–	–	–	–	–	(31,660)	(31,660)
Financial assets sold under repurchase agreements	(14,408)	(16,815)	(19,673)	–	–	(361)	(51,257)
Due to customers	(11,612,699)	(910,991)	(3,173,598)	(2,555,844)	(7)	(276,035)	(18,529,174)
Debt securities issued	(112,273)	(219,282)	(209,664)	(30,872)	(333,377)	(6,918)	(912,386)
Other financial liabilities	–	–	–	–	–	(256,707)	(256,707)
Total financial liabilities	(12,937,484)	(1,686,758)	(3,857,899)	(2,677,711)	(340,476)	(609,160)	(22,109,488)
Interest rate gap	(8,415,455)	474,470	6,341,505	991,538	1,940,247	64,402	1,396,707

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk (Continued)

	31 December 2018						
	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	2,525,736	–	6,046	–	–	273,325	2,805,107
Deposits with banks and other financial institutions	88,252	4,602	9,325	6,148	–	1,401	109,728
Placements with and loans to banks and other financial institutions	255,919	128,851	161,825	1,823	–	3,595	552,013
Derivative financial assets	–	–	–	–	–	36,944	36,944
Financial assets held under resale agreements	351,927	12,317	1,733	–	–	5,024	371,001
Loans and advances to customers	5,254,390	1,858,490	3,873,792	211,158	236,652	27,060	11,461,542
Financial assets at fair value through profit or loss	57,964	76,890	193,623	132,401	134,775	47,592	643,245
Debt instrument investments at amortized cost	65,371	111,723	407,488	2,344,377	1,493,131	81,608	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	74,705	180,807	439,067	789,488	232,884	21,181	1,738,132
Other financial assets	–	–	–	–	–	58,992	58,992
Total financial assets	8,674,264	2,373,680	5,092,899	3,485,395	2,097,442	556,722	22,280,402
Borrowings from central banks	(49,000)	(96,559)	(406,000)	(456)	–	(9,180)	(561,195)
Deposits from banks and other financial institutions	(598,768)	(241,587)	(220,417)	(34,049)	(21,630)	(7,871)	(1,124,322)
Placements from banks and other financial institutions	(125,830)	(98,972)	(85,916)	(6,450)	(6,657)	(1,716)	(325,541)
Financial liabilities at fair value through profit or loss	(79,464)	(80,720)	(103,108)	(3,400)	(38)	(19,573)	(286,303)
Derivative financial liabilities	–	–	–	–	–	(34,554)	(34,554)
Financial assets sold under repurchase agreements	(118,163)	(15,633)	(22,745)	(200)	–	(360)	(157,101)
Due to customers	(11,034,284)	(1,211,550)	(2,632,559)	(2,205,898)	(475)	(261,524)	(17,346,290)
Debt securities issued	(62,819)	(243,563)	(210,654)	(20,190)	(237,804)	(5,643)	(780,673)
Other financial liabilities	–	–	–	–	–	(181,777)	(181,777)
Total financial liabilities	(12,068,328)	(1,988,584)	(3,681,399)	(2,270,643)	(266,604)	(522,198)	(20,797,756)
Interest rate gap	(3,394,064)	385,096	1,411,500	1,214,752	1,830,838	34,524	1,482,646

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 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 other debt instrument and other equity investments at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	30 June 2019		31 December 2018	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(52,914)**	**(43,583)**	(24,024)	(67,879)
–100 basis points	**52,914**	**43,583**	24,024	67,879

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.

47.4 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.

48 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.

The "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC in 2012 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 CBIRC officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. The CBIRC 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 advanced approach and the non-advanced approach, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

In January 2017, the CBIRC has officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

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 CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC.

(Amounts in millions of Renminbi, unless otherwise stated)

48 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC as at the end of the reporting period is as follows:

		30 June 2019	31 December 2018
Common Equity Tier-one Capital Adequacy Ratio	(1)	**11.13%**	11.55%
Tier-one Capital Adequacy Ratio	(1)	**11.67%**	12.13%
Capital Adequacy Ratio	(1)	**15.48%**	15.12%
Common Equity Tier-one Capital	(2)	**1,652,413**	1,591,376
Deductible Items from Common Equity Tier-one Capital	(3)	**(7,441)**	(7,449)
Net Common Equity Tier-one Capital		**1,644,972**	1,583,927
Additional Tier-one Capital	(4)	**79,906**	79,906
Net Tier-one Capital		**1,724,878**	1,663,833
Tier-two Capital	(5)	**562,071**	409,510
Net Capital		**2,286,949**	2,073,343
Risk-weighted Assets	(6)	**14,774,429**	13,712,894

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), investment revaluation reserve, 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.*

(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).*

48 CAPITAL MANAGEMENT (Continued)

(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.*

49 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 2019 and 31 December 2018.

49.1 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 by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Departments records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The board of directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

During the interim period, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.2 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 or indirectly; and

Level 3: fair value measurements are not based on observable market data.

49.3 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, placements from banks and other financial investments, financial assets sold under repurchase agreements, due to customers, and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

	30 June 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instruments investments at amortized cost (excluding receivable from the MOF and special government bond)	**4,357,364**	**4,411,245**	**22,880**	**4,191,890**	**196,475**
Financial liabilities					
Bonds issued	**374,309**	**377,952**	**12,659**	**365,293**	**–**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.3 Financial assets and financial liabilities not measured at fair value on the condensed consolidated interim statement of financial position (Continued)

	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instruments investments at amortized cost (excluding receivable from the MOF and special government bond)	4,111,606	4,172,399	19,139	3,948,241	205,019
Financial liabilities					
Bonds issued	282,880	291,787	26,597	265,190	–

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 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 2019			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	17,463	–	17,463
— Interest rate derivatives	–	571	–	571
— Precious metal contracts and others	–	173	–	173
Subtotal	–	18,207	–	18,207
Loans and advances to customers				
— Discounted bills and forfeiting	–	478,788	–	478,788
— Negotiation letter of credit	–	151	–	151
Subtotal	–	478,939	–	478,939
Financial investment				
Financial assets at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss:				
— Held for trading				
Bonds	–	253,090	–	253,090
Equity and fund	3,708	190	–	3,898
Precious metal contracts	–	43,657	–	43,657
— Other financial assets at fair value through profit or loss				
Bonds	–	84,399	5,106	89,505
Equity and fund	24,642	3,507	23,808	51,957
Others	–	6,124	13,273	19,397
— Financial assets designated at fair value through profit or loss				
Debt securities	183	130,441	–	130,624
Deposits with banks and other financial institutions	–	14,386	–	14,386
Placements with and loans to banks and other financial institutions	–	21,866	51,999	73,865
Others	–	–	17,013	17,013
Subtotal	28,533	557,660	111,199	697,392
Other debt instrument and other equity investments at fair value through other comprehensive income				
Debt instruments				
— Bonds	73,371	1,743,190	–	1,816,561
— Others	–	–	14,785	14,785
Equity instruments	939	37	2,002	2,978
Subtotal	74,310	1,743,227	16,787	1,834,324
Total assets	102,843	2,798,033	127,986	3,028,862

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	30 June 2019			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	–	(16,414)	–	(16,414)
— Financial liabilities designated at fair value through profit or loss				
Principal guaranteed wealth management products	–	–	(215,836)	(215,836)
Overseas debt securities	–	(3,458)	–	(3,458)
Subtotal	–	(19,872)	(215,836)	(235,708)
Derivative financial liabilities				
— Exchange rate derivatives	–	(14,591)	–	(14,591)
— Interest rate derivatives	–	(1,641)	–	(1,641)
— Precious metal contracts	–	(15,428)	–	(15,428)
Subtotal	–	(31,660)	–	(31,660)
Total liabilities	–	(51,532)	(215,836)	(267,368)

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	35,074	14	35,088
— Interest rate derivatives	–	1,635	19	1,654
— Precious metal contracts and others	–	202	–	202
Subtotal	–	36,911	33	36,944
Loans and advances to customers				
— Discounted bills and forfeiting	–	433,912	–	433,912
— Negotiation L/C	–	249	–	249
Subtotal	–	434,161	–	434,161
Financial investment				
Financial assets at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss:				
— Held for trading				
Bonds	–	214,008	–	214,008
Precious metal contracts	–	28,139	–	28,139
Equity and fund	4,440	201	–	4,641
— Other financial assets at fair value through profit or loss				
Bonds	–	71,110	5,775	76,885
Equity and fund	19,937	3,217	13,998	37,152
Others	208	6,786	8,694	15,688
— Financial assets designated at fair value through profit or loss				
Debt securities	181	142,723	–	142,904
Deposits with banks and other financial institutions	–	9,174	–	9,174
Placements with and loans to banks and other financial institutions	–	78,092	32,339	110,431
Others	–	–	4,223	4,223
Subtotal	24,766	553,450	65,029	643,245
Other debt instrument and other equity investments at fair value through other comprehensive income				
Debt instruments				
— Bonds	80,435	1,641,141	–	1,721,576
— Others	–	–	14,316	14,316
Equity instruments	988	–	1,252	2,240
Subtotal	81,423	1,641,141	15,568	1,738,132
Total assets	106,189	2,665,443	80,850	2,852,482

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	–	(17,188)	–	(17,188)
— Financial liabilities designated at fair value through profit or loss				
Principal guaranteed wealth management products	–	–	(265,715)	(265,715)
Overseas debt securities	–	(3,400)	–	(3,400)
Subtotal	–	(20,588)	(265,715)	(286,303)
Derivative financial liabilities				
— Exchange rate derivatives	–	(31,381)	(14)	(31,395)
— Interest rate derivatives	–	(820)	(19)	(839)
— Precious metal contracts	–	(2,320)	–	(2,320)
Subtotal	–	(34,521)	(33)	(34,554)
Total liabilities	–	(55,109)	(265,748)	(320,857)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, deposits with banks and other financial institutions, 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 deposits with banks and other financial institutions, 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 that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

Level 3 financial assets of the Group mainly represented underlying assets invested by principal-guaranteed WMPs issued by the Group including deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and credit assets. The counterparties of these deposits and placements are primarily commercial banks and non-bank financial institutions in Mainland China. The credit assets are loans and advances to corporate customers in Mainland China. Level 3 financial liabilities largely represented liabilities to the investors of these products. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameter relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

There were no significant transfers amongst the different levels of the fair value hierarchy during the period ended 30 June 2019 and the year ended 31 December 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 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 2019				
	Financial assets at fair value through profit or loss	Derivative Financial assets	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
31 December 2018	**65,029**	**33**	**15,568**	**(265,715)**	**(33)**
Purchases	**62,976**	**–**	**2,865**	**–**	**–**
Issues	**–**	**–**	**–**	**(696,072)**	**–**
Settlements/disposals	**(17,835)**	**(33)**	**(1,935)**	**749,742**	**33**
Total gain/(loss) recognized in					
— Profit or loss	**1,029**	**–**	**–**	**(3,791)**	**–**
— Other comprehensive income	**–**	**–**	**289**	**–**	**–**
30 June 2019	**111,199**	**–**	**16,787**	**(215,836)**	**–**
Change in unrealized loss for the period included in profit or loss for assets/liabilities held at the end of the year	**(135)**	**–**	**–**	**(10)**	**–**

	2018				
	Financial assets at fair value through profit or loss	Derivative Financial assets	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2018	131,928	25	11,950	(364,151)	(37)
Purchases	40,833	–	7,386	–	–
Issues	–	–	–	(1,633,946)	–
Settlements/disposals	(109,866)	(19)	(3,760)	1,742,672	1
Total gain/(loss) recognized in					
— Profit or loss	2,134	27	(7)	(10,290)	3
— Other comprehensive income	–	–	(1)	–	–
31 December 2018	65,029	33	15,568	(265,715)	(33)
Change in unrealized (loss)/gain for the period included in profit or loss for assets/liabilities held at the end of the year	(3,390)	16	–	44	10

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net gain on financial investments (Note 9) of the condensed consolidated interim income statement.

50 EVENTS AFTER THE REPORTING PERIOD

The issuance of Undated Capital Bonds

In August 2019, The Bank issued Agricultural Bank of China Limited 2019 Undated Additional Tier 1 Capital Bonds (Series 1) with the total amount of RMB85 billion. The proceeds from the issuance of the bonds will be used to replenish the Bank's additional Tier 1 capital.

51 COMPARATIVES

The comparative amounts of Net gain on financial investments, Net gain on derecognition of financial assets measured at amortized cost, Operating expenses, Credit impairment losses, Impairment losses on other assets and other comprehensive income have been reclassified to conform with the current period's presentation.

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

1 LIQUIDITY COVERAGE RATIO

	Three months ended	
	30 June 2019	31 March 2019
Average Liquidity Coverage Ratio	**123.2%**	140.6%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC 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 2019				
Spot assets	**901,317**	**125,984**	**209,403**	**1,236,704**
Spot liabilities	**(921,060)**	**(156,760)**	**(98,687)**	**(1,176,507)**
Forward purchases	**1,316,412**	**78,169**	**66,516**	**1,461,097**
Forward sales	**(1,222,581)**	**(27,248)**	**(157,148)**	**(1,406,977)**
Net options position	**(70,142)**	**(1,070)**	**(1,364)**	**(72,576)**
Net long position	**3,946**	**19,075**	**18,720**	**41,741**
Net structural position	**6,269**	**6,958**	**3,084**	**16,311**

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2018				
Spot assets	856,774	116,357	137,852	1,110,983
Spot liabilities	(857,800)	(114,293)	(108,739)	(1,080,832)
Forward purchases	1,390,475	41,582	46,368	1,478,425
Forward sales	(1,344,868)	(31,833)	(71,081)	(1,447,782)
Net options position	(28,308)	–	–	(28,308)
Net long position	16,273	11,813	4,400	32,486
Net structural position	6,264	6,942	2,479	15,685

(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, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through profit or loss, other debt instrument and other equity investments at fair value through other comprehensive income and debt instrument investments at amortized cost.

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 of 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 2019				
Asia Pacific	**114,265**	**32,964**	**233,560**	**380,789**
— of which attributable to Hong Kong	**30,973**	**13,041**	**141,768**	**185,782**
Europe	**40,873**	**24,314**	**64,786**	**129,973**
North and South America	**333,082**	**88,231**	**257,205**	**678,518**
Africa	**660**	**–**	**143**	**803**
Total	**488,880**	**145,509**	**555,694**	**1,190,083**

	Banks	Official sector	Non-bank private sector	Total
31 December 2018				
Asia Pacific	110,016	19,992	215,727	345,735
— of which attributable to Hong Kong	31,837	373	151,388	183,598
Europe	23,463	10,259	86,311	120,033
North and South America	330,479	57,744	229,652	617,875
Africa	384	–	172	556
Total	464,342	87,995	531,862	1,084,199

(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 2019	31 December 2018
Overdue		
within 3 months	**72,436**	79,458
between 3 and 6 months	**22,404**	22,356
between 6 and 12 months	**35,506**	34,670
over 12 months	**63,826**	66,448
Total	**194,172**	202,932
Percentage of overdue loans and advances to		
customers in total loans within 3 months	**0.56%**	0.67%
between 3 and 6 months	**0.17%**	0.19%
between 6 and 12 months	**0.27%**	0.29%
over 12 months	**0.49%**	0.56%
Total	**1.49%**	1.71%

(2) Overdue and rescheduled loans and advances to customers

	30 June 2019	31 December 2018
Total rescheduled loans and advances to customers	**55,040**	59,232
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**8,908**	15,406
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months to total loans	**0.07%**	0.13%

(3) Gross amount of overdue placements with and loans to banks and other financial institutions

There were no overdue in the Group's placements with and loans to banks and other financial institutions as at 30 June 2019 and 31 December 2018.

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