中国农业银行
AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED
中國農業銀行股份有限公司

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

(Stock Code: 1288)

Interim Results Announcement for the six months ended 30 June 2017

Agricultural Bank of China Limited (the "**Bank**") is pleased to announce the unaudited interim results of the Bank and its subsidiaries (together the "**Group**") for the six months ended 30 June 2017. This announcement contains the interim report of the Bank for the six months ended 30 June 2017, the contents of which have been prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"). The interim financial information of the Group for the six months ended 30 June 2017 has been reviewed by PricewaterhouseCoopers in accordance with International Standard on Review Engagements 2410. The interim results have also been reviewed by the Audit and Compliance Committee of the Board of Directors of the Bank (the "**Audit and Compliance Committee**"). This interim results announcement is published on the websites of the Bank (www.abchina.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2017 will be despatched to the holders of H shares of the Bank and will also be available at the abovementioned websites in due course.

By order of the Board of Directors
Agricultural Bank of China Limited
ZHANG Keqiu
Company Secretary

Beijing, PRC
30 August 2017

As at the date of this announcement, our executive directors are Mr. ZHOU Mubing and Mr. ZHAO Huan; our non-executive directors are Mr. ZHAO Chao, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong; and our independent non-executive directors are Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan, Ms. XIAO Xing and Mr. WANG Xinxin.

PROFILE

The predecessor of the Bank was Agricultural Cooperative Bank established in 1951. Since the late 1970s, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

As one of the major integrated financial service providers in China, the Bank is committed to building an international first-class commercial banking group with featured operations, efficient and convenient services, and diversified functions, as well as demonstrated value-creation capability. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers, and conducts treasury operations and asset management. Our business scope also includes, among other things, investment banking, fund management, financial leasing and insurance. At the end of June 2017, the Bank had total assets of RMB20,573,586 million, loans and advances to customers of RMB10,411,918 million and deposits of RMB16,104,949 million. Our capital adequacy ratio was 13.16%. The Bank achieved a net profit of RMB108,670 million in the first half of 2017.

The Bank had a total of 23,686 domestic branch outlets at the end of June 2017, including the Head Office, the Business Department of the Head Office, three specialized business units managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 365 tier-2 branches (including business departments of branches in provinces), 3,505 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), 19,719 foundation-level branch outlets, and 55 other establishments. Our overseas branch outlets consisted of ten overseas branches and three overseas representative offices. The Bank had 14 major subsidiaries, including nine domestic subsidiaries and five overseas subsidiaries.

Contents

DEFINITIONS

In this results announcement, 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.	Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 14 August 2014
4.	Basis point(s)	A unit of measure related to the change in an interest rate or exchange rate, which is equivalent to 0.01%
5.	CASs/PRC GAAP	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
6.	CBRC	China Banking Regulatory Commission
7.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial products and services through our branch outlets located in counties and county-level cities in the People's Republic of China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
8.	County Area Banking Division	An internal division with management mechanism adopted by the Bank for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
9.	County Area(s)	The county-level regions (excluding the district-level areas in the cities) in China and the areas under their administration, including counties and county-level cities
10.	CSRC	China Securities Regulatory Commission

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

BASIC CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Basic Corporate Information

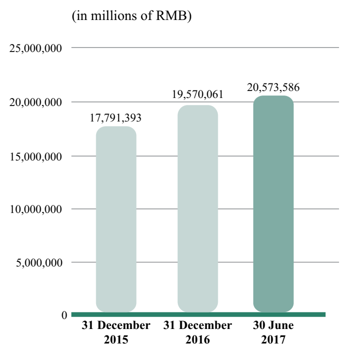
Legal name in Chinese	中國農業銀行股份有限公司
Abbreviation	中國農業銀行
Legal name in English	AGRICULTURAL BANK OF CHINA LIMITED
Abbreviation	AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	ZHOU Mubing
Authorized representatives	ZHAO Huan ZHANG Keqiu
Board Secretary and Company Secretary	ZHANG Keqiu Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85108557 E-mail: ir@abchina.com
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)
Name of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP
Address	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
Name of the undersigned accountants	WANG Wei, HAN Dan
Name of international auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong

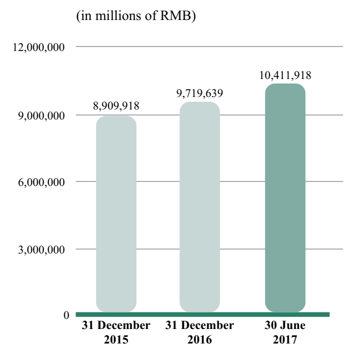
Financial Highlights

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

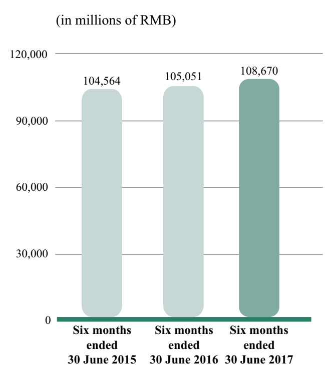
Total assets



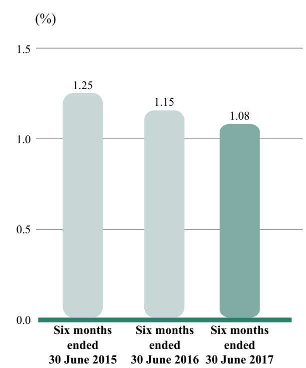
Total loans and advances to customers



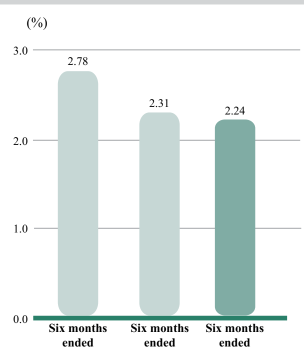
Net profit



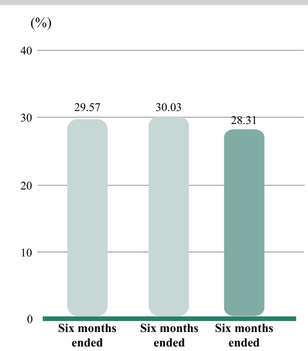
Return on average total assets



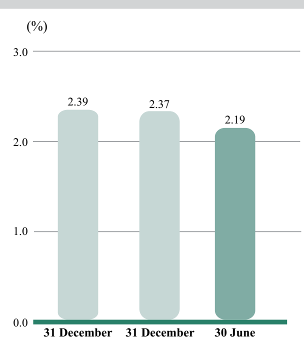
Net interest margin



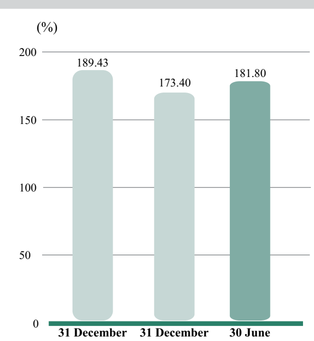
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Key Financial Data

	30 June 2017	31 December 2016	31 December 2015
At the end of the reporting period (in millions of RMB)			
Total assets	**20,573,586**	19,570,061	17,791,393
Total loans and advances to customers	**10,411,918**	9,719,639	8,909,918
Corporate loans	**6,090,842**	5,368,250	5,378,404
Discounted bills	**212,057**	569,948	356,992
Retail loans	**3,680,688**	3,340,879	2,727,890
Overseas and others	**428,331**	440,562	446,632
Allowance for impairment losses on loans	**415,279**	400,275	403,243
Loans and advances to customers, net	**9,996,639**	9,319,364	8,506,675
Investment in securities and other financial assets, net	**5,888,748**	5,333,535	4,512,047
Cash and balances with central banks	**2,882,030**	2,811,653	2,587,057
Deposits and placements with and loans to banks and other financial institutions	**586,636**	1,203,614	1,202,175
Financial assets held under resale agreements	**596,304**	323,051	471,809
Total liabilities	**19,215,145**	18,248,470	16,579,508
Deposits from customers	**16,104,949**	15,038,001	13,538,360
Corporate deposits	**6,264,905**	5,599,743	4,821,751
Retail deposits	**9,204,576**	8,815,148	8,065,556
Overseas and others	**635,468**	623,110	651,053
Deposits and placements from banks and other financial institutions	**1,227,505**	1,458,065	1,537,660
Financial assets sold under repurchase agreements	**121,537**	205,832	88,804
Debt securities issued	**439,986**	388,215	382,742
Equity attributable to equity holders of the Bank	**1,355,200**	1,318,193	1,210,091
Net capital[1]	**1,578,196**	1,546,500	1,471,620
Common Equity Tier 1 (CET 1) capital, net[1]	**1,268,381**	1,231,030	1,124,690
Additional Tier 1 capital, net[1]	**79,905**	79,904	79,902
Tier 2 capital, net[1]	**229,910**	235,566	267,028
Risk-weighted assets[1]	**11,988,609**	11,856,530	10,986,302

	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2015
Interim operating results (in millions of RMB)			
Operating income	**279,319**	262,504	276,309
Net interest income	**211,323**	198,957	219,493
Net fee and commission income	**42,465**	51,108	47,643
Operating expenses	**101,414**	94,309	102,309
Impairment losses on assets	**44,697**	36,735	39,321
Total profit before tax	**133,210**	131,457	134,679
Net profit	**108,670**	105,051	104,564
Net profit attributable to equity holders of the Bank	**108,593**	105,148	104,315
Net cash generated from operating activities	**342,873**	534,769	520,348

Financial Indicators

	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2015
Profitability (%)			
Return on average total assets[2]	**1.08***	1.15*	1.25*
Return on weighted average net assets[3]	**16.74***	17.63*	19.96*
Net interest margin[4]	**2.24***	2.31*	2.78*
Net interest spread[5]	**2.11***	2.16*	2.61*
Return on risk-weighted assets[1,6]	**1.81***	1.80*	1.88*
Net fee and commission income to operating income	**15.20**	19.47	17.24
Cost-to-income ratio[7]	**28.31**	30.03	29.57
Data per share (in RMB Yuan)			
Basic earnings per share[3]	**0.33**	0.32	0.32
Diluted earnings per share[3]	**0.33**	0.32	0.32
Net cash per share generated from operating activities	**1.06**	1.65	1.60

	30 June 2017	31 December 2016	31 December 2015
Asset Quality (%)			
Non-performing loan ratio[8]	**2.19**	2.37	2.39
Allowance to non-performing loans[9]	**181.80**	173.40	189.43
Allowance to total loans[10]	**3.99**	4.12	4.53
Capital adequacy (%)			
Common Equity Tier 1 (CET 1) capital adequacy ratio[1]	**10.58**	10.38	10.24
Tier 1 capital adequacy ratio[1]	**11.25**	11.06	10.96
Capital adequacy ratio[1]	**13.16**	13.04	13.40
Risk-weighted assets to total assets ratio[1]	**58.27**	60.59	61.75
Total equity to total assets ratio	**6.60**	6.75	6.81
Data per share (in RMB Yuan)			
Net assets per ordinary share[11]	**3.93**	3.81	3.48

Notes:

1. *Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.*
2. *Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period.*
3. *Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC and International Accounting Standard 33 – Earnings per share.*
4. *Calculated by dividing net interest income by the average balance of interest-earning assets.*
5. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*
6. *Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets were calculated in accordance with the relevant regulations of the CBRC.*
7. *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.*
8. *Calculated by dividing the balance of non-performing loans by the balance of total loans and advances to customers.*
9. *Calculated by dividing the allowance for impairment losses on loans by the balance of non-performing loans.*
10. *Calculated by dividing the allowance for impairment losses on loans by the balance of total loans and advances to customers.*
11. *Calculated by dividing equity attributable to ordinary equity holders of the Bank after deduction of preference shares at the end of the reporting period by the total number of ordinary shares at the end of reporting period.*

* *Annualized figures.*

Other Financial Indicators

		Regulatory Standard	30 June 2017	31 December 2016	31 December 2015
Liquidity ratio[1] (%)	RMB	≥25	**50.04**	46.74	44.50
	Foreign Currency	≥25	**95.71**	82.24	115.15
Percentage of loans to the largest single customer[2] (%)		≤10	**6.48**	6.98	7.15
Percentage of loans to the top ten customers[3] (%)			**17.37**	16.58	16.82
Loan migration ratio[4] (%)	Normal		**2.00**	3.00	4.96
	Special mention		**16.01**	24.86	18.28
	Substandard		**68.39**	89.23	86.94
	Doubtful		**3.35**	9.55	10.35

Notes:

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

DISCUSSION AND ANALYSIS

Environment and Prospects

In the first half of 2017, the global economy continued its recovery. The United States experienced GDP growth of 2.08% for the first half of the year, reflecting improving trends in the labour market. The Federal Reserve set out to implement the balance sheet normalization program while raising the interest rate steadily. There was reduced economic uncertainty in Europe, along with positive movement in key economic indicators such as the unemployment rate and increased confidence in the economy. Japan continued its moderate economic recovery with significant improvement in industrial production and exports, with its best economic performance in the past few years. The conditions in major emerging economies tended to stabilize after rapid improvements in the first quarter. Notably, the manufacturing PMIs of Brazil, Russia and India showed strong improvements in the second quarter. A number of key emerging economies, however, still faced pressure from economic restructuring and transformation.

In the first half of 2017, China's economy remained stable with a favorable trend. GDP growth was 6.9%, an increase of 0.2 percentage point as compared to the corresponding period of the previous year. Export growth turned from negative to positive. Both fixed asset investment and total retail sales of consumer goods maintained stable growth rates. As economic restructuring accelerated, the contribution of consumption to economic growth reached 63.4% and the service sector played a more prominent role in driving economic growth, accounting for 54.1% of GDP. Through a committed implementation of the "Innovation-driven Development Strategy" and continued promotion of mass entrepreneurship and innovation, new technologies, new products and new services were emerging and continued to develop rapidly. The initiative to "cut overcapacity, reduce inventory, deleverage, lower costs and bolster areas of weakness" was pushed forward steadily and showed positive results.

In the first half of 2017, the PRC government continued to adopt proactive fiscal policies together with prudent and neutral monetary policies. The fiscal policies were more proactive and effective, while regulations on local government debt financing were increasingly stringent. The monetary policies were neutral and slightly tight. Market liquidity was maintained through a range of monetary policy tools such as Open Market Operations (OMO), Medium-term Lending Facility (MLF), Pledged Supplementary Lending (PSL), and Temporary Liquidity Facility (TLF). As the PBOC strengthened and expanded the scope of Macro Prudent Assessment (MPA), market liquidity tended tight and money supply (M2) experienced slower growth in the first half of the year, which led to higher market interest rates. Meanwhile, the regulatory authorities emphasized the importance of preventing and controlling financial risks, which issued a series of new regulatory rules and addressed specific issues related to banking institutions, in order to urge banks to focus on their principal businesses, return to basics, eliminate potential risks, and better serve the real economy.

Looking forward to the second half of the year, it is expected that the global economy will continue to improve and the Chinese economy will remain stable in general. It is expected that, after the convention of the 19th Party Congress, reforms in key areas and segments will accelerate and the benefits of reforms will be further realized. Private investment is expected to emerge from the doldrums, consumption will remain steady with a slight increase and export growth will continue with a favorable trend due to stimulation from increasing foreign demand. As a result, the Chinese economy is expected to meet its annual economic growth target for 2017. Financial reforms will be further refined and expanded. The Financial Stability and Development Committee, newly established under the State Council, will coordinate the financial regulatory authorities to improve their regulatory effectiveness. The PBOC is expected to further strengthen its macro-prudential management and counter-cyclical adjustment, laying stress on preventing systemic financial risks. Meanwhile, it will continue its prudent and neutral monetary policies, which will reinforce the pertinence and effectiveness of macro-control to facilitate the moderate growth of monetary credit and stable liquidity conditions.

In the second half of 2017, we will conform to a stable economy with a favorable trend and an increasingly stringent regulatory environment. We will seize new opportunities arising from ongoing economic recovery, and ensure healthy development of our businesses and stability of our asset quality overall. First, in this regard, we will continue to provide comprehensive financial services to the real economy. We will focus on serving key areas and weak points related to national strategy, people's livelihood and public welfare, and support the "bolster areas of weakness" initiative. We will adjust and refine our credit policies and operating strategies, through restructuring existing credit resources and optimizing new ones, in order to better meet the credit demands of the real economy. Second, we will maintain an intense focus on preventing and controlling risks and cases of violation. We will continue to work towards building a comprehensive risk management system and strictly control credit risks, liquidity risks and market risks. In addition, we will strictly control the quality of new loans and dispose of existing non-performing loans. Finally, we will comprehensively refine and expand our internal reforms, and promote the implementation of the related reform plans. Through deploying all positive factors, we will rigorously pursue our internal reform objectives.

Financial Statement Analysis

Income statement Analysis

In the first half of 2017, we achieved a net profit of RMB108,670 million, representing an increase of RMB3,619 million, or 3.4%, compared to the corresponding period of the previous year, primarily due to the increase in net interest income and other non-interest income.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Increase/ (decrease)	Growth rate (%)
Net interest income	**211,323**	198,957	12,366	6.2
Net fee and commission income	**42,465**	51,108	(8,643)	-16.9
Other non-interest income	**25,531**	12,439	13,092	105.2
Operating income	**279,319**	262,504	16,815	6.4
Less: Operating expenses	**101,414**	94,309	7,105	7.5
Impairment losses on assets	**44,697**	36,735	7,962	21.7
Operating profit	**133,208**	131,460	1,748	1.3
Share of result of associate	**2**	(3)	5	–
Profit before tax	**133,210**	131,457	1,753	1.3
Less: Income tax expense	**24,540**	26,406	(1,866)	-7.1
Net Profit	**108,670**	105,051	3,619	3.4
Attributable to: Equity holders of the Bank	**108,593**	105,148	3,445	3.3
Non-controlling interests	**77**	(97)	174	-179.4

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 75.7% of the total operating income in the first half of 2017. Our net interest income was RMB211,323 million in the first half of 2017, representing an increase of RMB12,366 million compared to the corresponding period of the previous year. The changes in volume and interest rates resulted in an increase of RMB18,684 million and a decrease of RMB6,318 million in net interest income, respectively. In the first half of 2017, our net interest margin and net interest spread were 2.24% and 2.11%, respectively, representing decreases of 7 basis points and 5 basis points compared to the corresponding period of the previous year. The decreases in net interest margin and net interest spread were primarily due to the separation of price and tax following the implementation of the "Transition from Business Tax to Value-Added Tax" policy since 1 May 2016 and the continual effect of the consecutive reductions of interest rates by the PBOC from November 2014 to 2015.

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 2017 Average balance	Six months ended 30 June 2017 Interest income/ expense	Six months ended 30 June 2017 Average yield/cost[7] (%)	Six months ended 30 June 2016 Average balance	Six months ended 30 June 2016 Interest income/ expense	Six months ended 30 June 2016 Average yield/cost[7] (%)
Assets						
Loans and advances to customers	**10,135,085**	**212,530**	**4.23**	9,201,584	207,859	4.54
Debt securities investments[1]	**5,285,290**	**94,272**	**3.60**	4,393,190	82,172	3.76
Non-restructuring-related debt securities	**4,919,967**	**88,718**	**3.64**	4,027,867	76,590	3.82
Restructuring-related debt securities[2]	**365,323**	**5,554**	**3.07**	365,323	5,582	3.07
Balances with central banks	**2,566,674**	**20,172**	**1.58**	2,443,205	19,209	1.58
Amounts due from banks and other financial institutions[3]	**1,079,508**	**17,626**	**3.29**	1,291,443	20,520	3.20
Total interest-earning assets	**19,066,557**	**344,600**	**3.64**	17,329,422	329,760	3.83
Allowance for impairment losses[4]	**(420,069)**			(408,095)		
Non-interest-earning assets[4]	**1,193,432**			973,181		
Total assets	**19,839,920**			17,894,508		
Liabilities						
Deposits from customers	**15,424,710**	**104,112**	**1.36**	13,917,900	105,839	1.53
Amounts due to banks and other financial institutions[5]	**1,279,546**	**16,550**	**2.61**	1,399,502	17,515	2.52
Other interest-bearing liabilities[6]	**805,365**	**12,615**	**3.16**	441,761	7,449	3.39
Total interest-bearing liabilities	**17,509,621**	**133,277**	**1.53**	15,759,163	130,803	1.67
Non-interest-bearing liabilities[4]	**993,933**			1,064,573		
Total liabilities	**18,503,554**			16,823,736		
Net interest income		**211,323**			198,957	
Net interest spread			**2.11**			2.16
Net interest margin			**2.24**			2.31

Notes:

1. *Debt securities investments include debt securities investments at fair value through profit or loss, available-for-sale debt securities investments, held-to-maturity debt securities investments and debt securities investments classified as receivables.*

2. *Restructuring-related debt securities include receivable from the MOF and special government bond.*
3. *Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements.*
4. *The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the reporting period.*
5. *Amounts due to banks and other financial institutions primarily include deposits and placements from banks and other financial institutions, 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	19,575	(14,904)	4,671
Debt securities investments	15,912	(3,812)	12,100
Balances with central banks	970	(7)	963
Amounts due from banks and other financial institutions	(3,460)	566	(2,894)
Changes in interest income	32,997	(18,157)	14,840
Liabilities			
Deposits from customers	10,170	(11,897)	(1,727)
Amounts due to banks and other financial institutions	(1,552)	587	(965)
Other interest-bearing liabilities	5,695	(529)	5,166
Changes in interest expense	14,313	(11,839)	2,474
Changes in net interest income	18,684	(6,318)	12,366

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

Interest Income

We achieved interest income of RMB344,600 million in the first half of 2017, representing an increase of RMB14,840 million over the corresponding period of the previous year, which was primarily due to an increase of RMB1,737,135 million in the average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB4,671 million, or 2.2%, over the corresponding period of the previous year to RMB212,530 million, which was primarily due to an increase of RMB933,501 million in the average balance.

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

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2017**			Six months ended 30 June 2016		
	Average Balance	**Interest Income**	**Average Yield[1] (%)**	Average balance	Interest Income	Average yield[1] (%)
Corporate loans	**5,796,574**	**126,332**	**4.39**	5,538,578	130,669	4.74
Short-term corporate loans	**2,286,503**	**46,109**	**4.07**	2,314,655	50,894	4.42
Medium- and long-term corporate loans	**3,510,071**	**80,223**	**4.61**	3,223,923	79,775	4.98
Discounted bills	**379,824**	**5,542**	**2.94**	373,219	6,323	3.41
Retail loans	**3,517,437**	**75,338**	**4.32**	2,869,484	65,585	4.60
Overseas and others	**441,250**	**5,318**	**2.43**	420,303	5,282	2.53
Total loans and advances to customers	**10,135,085**	**212,530**	**4.23**	9,201,584	207,859	4.54

Note: 1. Annualized figures.

Interest income from corporate loans decreased by RMB4,337 million, or 3.3%, to RMB126,332 million compared to the corresponding period of the previous year, which was primarily due to a decrease of 35 basis points in the average yield. Interest income from retail loans increased by RMB9,753 million, or 14.9%, to RMB75,338 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB647,953 million in the average balance, partially offset by a decrease of 28 basis points in the average yield. The decrease in the average yield was primarily due to the decrease in interest income from loans as a result of separation of price and tax following the implementation of the "Transition from Business Tax to Value-Added Tax" policy and the continual effect of the consecutive reductions of interest rates by the PBOC from November 2014 to 2015.

Interest income from discounted bills decreased by RMB781 million, or 12.4%, to RMB5,542 million compared to the corresponding period of the previous year, which was primarily due to a decrease of 47 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 market as compared to the corresponding period of the previous year.

Interest income from overseas and other loans increased by RMB36 million, or 0.7%, to RMB5,318 million compared to the corresponding period of the previous year.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In the first half of 2017, interest income from debt securities investments increased by RMB12,100 million to RMB94,272 million compared to the corresponding period of the previous year, which was primarily due to an increase of RMB892,100 million in the average balance, partially offset by a decrease of 16 basis points in the average yield. The decrease in average yield was mainly due to the moderately increased investment in local government bonds which offered lower yield but better comprehensive investment return and the decrease in interest income from debt securities investment as a result of separation of price and tax under the "Transition from Business Tax to Value-Added Tax" policy.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB963 million to RMB20,172 million compared to the corresponding period of the previous year, which was primarily due to the increase of RMB123,469 million in the average balance.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions decreased by RMB2,894 million to RMB17,626 million compared to the corresponding period of the previous year, which was primarily due to a decrease of RMB211,935 million in the average balance, partially offset by an increase of 9 basis points in the average yield. The increase in the average yield was primarily due to the upward interest rate in the monetary market.

Interest Expense

Interest expense increased by RMB2,474 million to RMB133,277 million compared to the corresponding period of the previous year, which was mainly due to an increase of RMB1,750,458 million in the average balance.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers decreased by RMB1,727 million to RMB104,112 million compared to the corresponding period of the previous year, which was primarily due to a decrease of 17 basis points in the average cost. The decrease in the average cost was primarily due to (1) the continual effect of re-pricing of deposits as a result of consecutive reductions of interest rates by the PBOC from November 2014 to 2015; and (2) the Bank strengthened the management of deposit pricing and optimized the deposit structure so as to exercise effective control over interest cost.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

	Six months ended 30 June 2017			Six months ended 30 June 2016		
Item	**Average Balance**	**Interest Expense**	**Average cost[1] (%)**	Average Balance	Interest Expense	Average cost[1] (%)
Corporate deposits						
Time	**2,245,492**	**27,248**	**2.45**	2,121,032	28,188	2.67
Demand	**4,074,763**	**12,579**	**0.62**	3,354,642	10,148	0.61
Sub-Total	**6,320,255**	**39,827**	**1.27**	5,475,674	38,336	1.41
Retail deposits						
Time	**4,431,374**	**55,331**	**2.52**	4,311,630	60,205	2.81
Demand	**4,673,081**	**8,954**	**0.39**	4,130,596	7,298	0.36
Sub-Total	**9,104,455**	**64,285**	**1.42**	8,442,226	67,503	1.61
Total deposits from customers	**15,424,710**	**104,112**	**1.36**	13,917,900	105,839	1.53

Note: 1. Annualized figures.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions decreased by RMB965 million to RMB16,550 million compared to the corresponding period of the previous year, which was primarily due to a decrease of RMB119,956 million in the average balance, partially offset by an increase of 9 basis points in the average cost. The increase in the average cost was primarily due to the upward interest rate in the monetary market.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB5,166 million to RMB12,615 million compared to the corresponding period of the previous year, primarily due to an increase of RMB363,604 million in the average balance. The increase in the average balances was mainly due to the Bank's regular borrowing from the PBOC through lending facility.

Net Fee and Commission Income

In the first half of 2017, we generated net fee and commission income of RMB42,465 million, representing a decrease of RMB8,643 million, or 16.9%, compared to the corresponding period of the previous year, which was primarily due to the decrease in agency commissions and settlement and clearing fees.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Increase/ (decrease)	Growth rate (%)
Agency commissions	**14,776**	20,476	(5,700)	-27.8
Settlement and clearing fees	**6,163**	9,052	(2,889)	-31.9
Bank card fees	**10,897**	9,829	1,068	10.9
Consultancy and advisory fees	**5,595**	6,553	(958)	-14.6
Electronic banking service fees	**6,596**	5,377	1,219	22.7
Custodian and other fiduciary service fees	**1,970**	1,802	168	9.3
Credit commitment fees	**1,151**	1,273	(122)	-9.6
Others	**114**	84	30	35.7
Fee and commission income	**47,262**	54,446	(7,184)	-13.2
Less: Fee and commission expenses	**4,797**	3,338	1,459	43.7
Net fee and commission income	**42,465**	51,108	(8,643)	-16.9

Agency commissions decreased by RMB5,700 million, or 27.8%, to RMB14,776 million compared to the corresponding period of the previous year, which was mainly due to the ending of assets disposal business on behalf of the MOF at the end of 2016.

Settlement and clearing fees decreased by RMB2,889 million, or 31.9%, to RMB6,163 million compared to the corresponding period of the previous year, which was mainly due to our reduction or exemption of certain service fees in response to government policies related to financial service charges.

Bank card fees increased by RMB1,068 million, or 10.9%, to RMB10,897 million compared to the corresponding period of the previous year, which was mainly due to the increase in income from credit card instalment business.

Consultancy and advisory fees decreased by RMB958 million, or 14.6%, to RMB5,595 million compared to the corresponding period of the previous year, which was primarily due to the decrease in income from financial consultancy business.

Electronic banking service fees increased by RMB1,219 million, or 22.7%, to RMB6,596 million compared to the corresponding period of the previous year, which was primarily due to the increase in income from e-commerce banking services.

Custodian and other fiduciary service fees increased by RMB168 million, or 9.3%, to RMB1,970 million compared to the corresponding period of the previous year, which was mainly due to the increase in income from entrusted assets custodian services.

Credit commitment fees decreased by RMB122 million, or 9.6%, to RMB1,151 million compared to the corresponding period of the previous year, which was mainly due to more discounts and exemptions of fees offered to corporate customers and cancellation of certain guarantee and commitment fees related to loans.

Other Non-interest Income

In the first half of 2017, other non-interest income amounted to RMB25,531 million, representing an increase of RMB13,092 million compared to the corresponding period of the previous year.

Net trading loss amounted to RMB1,370 million, representing an increase in loss of RMB2,701 million compared to the corresponding period of the previous year, which was primarily due to the increase in net trading loss in derivative financial instruments.

Net gain on financial instruments designated at fair value through profit or loss amounted to RMB607 million, representing an increase of RMB1,869 million compared to the corresponding period of the previous year, which was primarily due to the decrease in loss on principal guaranteed wealth management products.

Net gain on investment securities amounted to RMB308 million, representing a decrease of RMB307 million compared to the corresponding period of the previous year, which was primarily due to the decrease in trading gains on available-for-sale securities.

Other operating income amounted to RMB25,986 million, representing an increase of RMB14,231 million over the corresponding period of the previous year, which was primarily due to the increase in insurance premium income of our subsidiary, ABC Life Insurance Co., Ltd..

Composition of Other Non-Interest Income

In millions of RMB

Item	**Six months ended 30 June 2017**	Six months ended 30 June 2016
Net trading (loss)/gain	**(1,370)**	1,331
Net gain/(loss) on financial instruments designated at fair value through profit or loss	**607**	(1,262)
Net gain on investment securities	**308**	615
Other operating income	**25,986**	11,755
Total	**25,531**	12,439

Operating Expenses

Our operating expenses amounted to RMB101,414 million, representing an increase of RMB7,105 million compared to the corresponding period of the previous year, among which staff costs amounted to RMB53,478 million, insurance benefits and claims amounted to RMB18,462 million, general operating and administrative expenses amounted to RMB15,881 million, depreciation and amortization amounted to RMB9,048 million, tax and surcharges amounted to RMB2,411 million and provision for guarantees and commitments expenses amounted to negative RMB359 million, representing an increase of RMB1,352 million, an increase of RMB9,807 million, a decrease of RMB741 million, a decrease of RMB398 million, a decrease of RMB6,660 million and an increase of RMB2,502 million, respectively, compared to the corresponding period of the previous year. The cost-to-income ratio was 28.31%, representing a decrease of 1.72 percentage points compared to the corresponding period of the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Increase/ (decrease)	Growth rate (%)
Staff costs	**53,478**	52,126	1,352	2.6
Insurance benefits and claims	**18,462**	8,655	9,807	113.3
General operating and administrative expenses	**15,881**	16,622	(741)	-4.5
Depreciation and amortization	**9,106**	9,446	(340)	-3.6
Tax and surcharges	**2,411**	9,071	(6,660)	-73.4
Provision for guarantees and commitments	**(359)**	(2,861)	2,502	–
Others	**2,435**	1,250	1,185	94.8
Total	**101,414**	94,309	7,105	7.5

Impairment Losses on Assets

In the first half of 2017, impairment losses on assets increased by RMB7,962 million to RMB44,697 million compared to the corresponding period of the previous year. Among that, impairment losses on loans increased by RMB6,338 million to RMB41,455 million compared to the corresponding period of the previous year.

Income Tax Expense

In the first half of 2017, our income tax expense amounted to RMB24,540 million. The effective tax rate was 18.42% in the first half of 2017, which was lower than the statutory tax rate of 25%. This was primarily because the interest income from the PRC treasury bonds and local government bonds held by the Bank was exempt from enterprise income tax by the relevant tax laws.

Segment Information

We assessed our performance and determined the allocation of resources based on segment reports. The segment information was presented in the same manner as that of internal management and reporting. At present, we managed our segments from the aspects of business lines, geographical regions and the County Area Banking Business.

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

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2017**		Six months ended 30 June 2016	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Corporate banking business	**121,649**	**43.6**	130,294	49.6
Retail banking business	**105,358**	**37.7**	100,371	38.2
Treasury operations	**29,163**	**10.4**	20,482	7.9
Other business	**23,149**	**8.3**	11,357	4.3
Total operating income	**279,319**	**100.0**	262,504	100.0

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

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2017**		Six months ended 30 June 2016	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Head Office	**26,811**	**9.6**	18,413	7.0
Yangtze River Delta	**50,203**	**18.0**	52,866	20.1
Pearl River Delta	**35,351**	**12.7**	37,611	14.3
Bohai Rim	**38,743**	**13.9**	40,935	15.6
Central China	**36,741**	**13.2**	34,589	13.2
Western China	**55,997**	**20.0**	55,948	21.3
North-eastern China	**10,068**	**3.5**	10,022	3.8
Overseas and others	**25,405**	**9.1**	12,120	4.7
Total operating income	**279,319**	**100.0**	262,504	100.0

The table below presents our operating income of the County Area Banking Business and Urban Area Banking Business during the period indicated.

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2017**		Six months ended 30 June 2016	
	Amount	**Percentage (%)**	Amount	Percentage (%)
County Area Banking Business	**102,289**	**36.6**	100,060	38.1
Urban Area Banking Business	**177,030**	**63.4**	162,444	61.9
Total operating income	**279,319**	**100.0**	262,504	100.0

Balance Sheet Analysis

Assets

At 30 June 2017, our total assets amounted to RMB20,573,586 million, representing an increase of RMB1,003,525 million, or 5.1%, compared to the end of the previous year. Net loans and advances to customers increased by RMB677,275 million, or 7.3%. Net investment in securities and other financial assets increased by RMB555,213 million, or 10.4%. Cash and balances with central banks increased by RMB70,377 million, or 2.5%. Deposits and placements with and loans to banks and other financial institutions decreased by RMB616,978 million, or 51.3%, primarily due to the decrease in cooperative deposits with banks and other financial institutions. Financial assets held under resale agreements increased by RMB273,253 million, or 84.6%, primarily due to the increase in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**10,411,918**	**–**	9,719,639	–
Less: Allowance for impairment losses on loans	**415,279**	**–**	400,275	–
Loans and advances to customers, net	**9,996,639**	**48.6**	9,319,364	47.6
Investment in securities and other financial assets, net	**5,888,748**	**28.6**	5,333,535	27.3
Cash and balances with central banks	**2,882,030**	**14.0**	2,811,653	14.4
Deposits and placements with and loans to banks and other financial institutions	**586,636**	**2.9**	1,203,614	6.2
Financial assets held under resale agreements	**596,304**	**2.9**	323,051	1.7
Others	**623,229**	**3.0**	578,844	2.8
Total assets	**20,573,586**	**100.0**	19,570,061	100.0

Loans and Advances to Customers

At 30 June 2017, our total loans and advances to customers amounted to RMB10,411,918 million, representing an increase of RMB692,279 million, or 7.1%, 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

Item	**30 June 2017** Amount	Percentage (%)	31 December 2016 Amount	Percentage (%)
Loans granted by domestic branches	**9,983,587**	**95.9**	9,279,077	95.5
Corporate loans	**6,090,842**	**58.5**	5,368,250	55.2
Discounted bills	**212,057**	**2.0**	569,948	5.9
Retail loans	**3,680,688**	**35.4**	3,340,879	34.4
Overseas and others	**428,331**	**4.1**	440,562	4.5
Total	**10,411,918**	**100.0**	9,719,639	100.0

Corporate loans amounted to RMB6,090,842 million, representing an increase of RMB722,592 million, or 13.5%, compared to the end of the previous year, primarily because we increased credit support to areas such as rebuilding of shanty areas, urban infrastructure construction, transportation facilities and public utilities.

Retail loans amounted to RMB3,680,688 million, representing an increase of RMB339,809 million, or 10.2%, compared to the end of the previous year, primarily because we proactively supported the credit demand related to people's livelihood such as retail residential mortgage loans, which resulted in a stable growth in retail loans.

Discounted bills amounted to RMB212,057 million, representing a decrease of RMB357,891 million, or 62.8%, compared to the end of the previous year, primarily because we adjusted our credit structure and reduced our bills financing to prioritize credit needs of the real economy.

Overseas and other loans amounted to RMB428,331 million, representing a decrease of RMB12,231 million, or 2.8%, compared to the end of the previous year, primarily because certain overseas branches adjusted operating strategies and reduced the volume of trade financing businesses.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage (%)	31 December 2016 Amount	31 December 2016 Percentage (%)
Short-term corporate loans	**2,412,800**	**39.6**	2,169,949	40.4
Medium- and long-term corporate loans	**3,678,042**	**60.4**	3,198,301	59.6
Total	**6,090,842**	**100.0**	5,368,250	100.0

At 30 June 2017, short-term corporate loans increased by RMB242,851 million, or 11.2%, compared to the end of the previous year. Medium- and long-term corporate loans increased by RMB479,741 million, or 15.0%, compared to the end of the previous year. The proportion of Medium- and long-term corporate loans to the total corporate loans increased by 0.8 percentage point to 60.4%, primarily due to the increase in project loans advanced by the Bank.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage (%)	31 December 2016 Amount	31 December 2016 Percentage (%)
Manufacturing	**1,316,237**	**21.6**	1,225,322	22.8
Production and supply of power, heat, gas and water	**766,948**	**12.6**	660,361	12.3
Real estate	**500,448**	**8.2**	449,687	8.4
Transportation, logistics and postal services	**1,137,897**	**18.7**	1,006,903	18.8
Wholesale and retail	**410,339**	**6.7**	404,172	7.5
Water, environment and public utilities management	**341,120**	**5.6**	236,880	4.4
Construction	**218,160**	**3.6**	181,634	3.4
Mining	**234,618**	**3.9**	230,098	4.3
Leasing and commercial services	**769,261**	**12.6**	552,447	10.3
Finance	**143,305**	**2.4**	179,338	3.3
Information transmission, software and IT services	**36,783**	**0.6**	23,804	0.4
Others	**215,726**	**3.5**	217,604	4.1
Total	**6,090,842**	**100.0**	5,368,250	100.0

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

At 30 June 2017, the five major industries of our corporate borrowers included: (1) manufacturing, (2) transportation, logistics and postal services, (3) leasing and commercial services, (4) production and supply of power, heat, gas and water, and (5) real estate. Aggregate loans to these five major industries accounted for 73.7% of our total corporate loans, representing an increase of 1.1 percentage points compared to the end of the previous year. The industry with the largest increase in proportion to our total corporate loans was leasing and commercial services, while manufacturing sector recorded the largest decrease in proportion to our total corporate loans.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Residential mortgage loans	**2,855,866**	**77.6**	2,559,970	76.6
Personal consumption loans	**164,470**	**4.5**	153,251	4.6
Loans to private business	**176,457**	**4.8**	192,213	5.8
Credit card balances	**271,953**	**7.4**	242,451	7.3
Loans to rural households	**210,847**	**5.7**	191,770	5.7
Others	**1,095**	**–**	1,224	–
Total	**3,680,688**	**100.0**	3,340,879	100.0

Our residential mortgage loans amounted to RMB2,855,866 million, representing an increase of RMB295,896 million, or 11.6%, compared to the end of the previous year, primarily because we supported purchase of residential properties for non-investment purpose, and actively developed quality mortgage customers and "Anjiadai" business for rural households.

Personal consumption loans amounted to RMB164,470 million, representing an increase of RMB11,219 million, or 7.3%, compared to the end of the previous year. The increase was mainly due to our vigorous development of consumption loans such as "Salary-based Loan" and "Internet Quick Loan".

Credit card balances amounted to RMB271,953 million, representing an increase of RMB29,502 million, or 12.2%, compared to the end of the previous year, primarily due to the rapid growth in credit cards issued and credit card instalment payment business.

Loans to rural households increased by RMB19,077 million, or 9.9%, over the end of the previous year to RMB210,847 million, mainly because we continued to increase our credit support to new agricultural operation entities.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Head Office	**194,197**	**1.9**	279,762	2.9
Yangtze River Delta	**2,354,463**	**22.6**	2,170,468	22.3
Pearl River Delta	**1,573,911**	**15.1**	1,466,397	15.1
Bohai Rim	**1,642,736**	**15.8**	1,500,014	15.4
Central China	**1,465,533**	**14.1**	1,309,273	13.5
Northeastern China	**418,527**	**4.0**	394,896	4.1
Western China	**2,334,220**	**22.4**	2,158,267	22.2
Overseas and others	**428,331**	**4.1**	440,562	4.5
Total	**10,411,918**	**100.0**	9,719,639	100.0

During the reporting period, we further optimized the allocation of credit resources by geographic region, and served the economic transformation and regional coordinated development. We allocated strategic credit resources to branches in free trade zones and key regions related to national development strategies, such as the "Belt and Road", Coordinated Development of the Beijing-Tianjin-Hebei Region and the Yangtze River Economic Belt, facilitating balanced development of loans by geographic region.

Investments

At 30 June 2017, our net investment in securities and other financial assets amounted to RMB5,888,748 million, representing an increase of RMB555,213 million compared to the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Non-restructuring-related debt securities	**5,277,355**	**89.6**	4,789,697	89.8
Restructuring-related debt securities	**365,323**	**6.2**	365,323	6.9
Equity instruments	**7,685**	**0.1**	12,954	0.2
Others[1]	**238,385**	**4.1**	165,561	3.1
Total	**5,888,748**	**100.0**	5,333,535	100.0

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

Capturing the investment opportunities with a rational investment schedule, we actively invested in debt securities with higher investment value. At 30 June 2017, non-restructuring-related debt securities investments increased by RMB487,658 million as compared to the end of the previous year.

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

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Government bonds	**2,118,616**	**40.2**	1,927,598	40.3
Bonds issued by policy banks	**1,532,425**	**29.0**	1,442,999	30.1
Bonds issued by other banks and financial institutions	**1,006,267**	**19.1**	814,571	17.0
Bonds issued by entities in public sectors and quasi-governments	**143,229**	**2.7**	174,025	3.6
Corporate bonds	**476,818**	**9.0**	430,504	9.0
Total	**5,277,355**	**100.0**	4,789,697	100.0

In the first half of 2017, we conducted an in-depth analysis on domestic and overseas macro-economic situations, closely followed the changes in debt securities market and moderately increased our investments in local government bonds and bonds issued by financial institutions according to our investment schedule.

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

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Remaining Maturity	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Overdue	**–**	**–**	–	–
Less than 3 months	**361,073**	**6.8**	279,454	5.8
3-12 months	**769,442**	**14.6**	695,366	14.5
1-5 years	**2,580,449**	**48.9**	2,296,876	48.0
More than 5 years	**1,566,391**	**29.7**	1,518,001	31.7
Total	**5,277,355**	**100.0**	4,789,697	100.0

In the first half of 2017, following the changes of the yield in the bond market and the principle of balancing yield and maturity, we appropriately adjusted the maturity structure of our investment portfolio. We appropriately increased our investments in medium-term bonds when the yield of the bonds was relatively high in the first half of 2017.

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

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
RMB	**5,019,482**	**95.1**	4,546,871	94.9
USD	**190,938**	**3.6**	191,831	4.0
Other foreign currencies	**66,935**	**1.3**	50,995	1.1
Total	**5,277,355**	**100.0**	4,789,697	100.0

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage (%)	31 December 2016 Amount	31 December 2016 Percentage (%)
Financial assets at fair value through profit or loss[1]	**532,973**	**9.1**	417,955	7.8
Available-for-sale financial assets	**1,362,623**	**23.1**	1,408,881	26.5
Held-to-maturity investments	**3,320,161**	**56.4**	2,882,152	54.0
Debt securities classified as receivables	**672,991**	**11.4**	624,547	11.7
Total	**5,888,748**	**100.0**	5,333,535	100.0

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

Investment in Financial Bonds

Financial bonds refer to debt securities issued by the policy banks, commercial banks and other financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 30 June 2017, the balance of financial bonds held by the Bank was RMB2,538,692 million.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 30 June 2017.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2017 policy bank bonds	21,798	3.85%	2027/01/06	–
2014 policy bank bonds	18,384	5.44%	2019/04/08	–
2017 policy bank bonds	17,395	3.70%	2022/01/06	–
2017 policy bank bonds	16,798	4.13%	2022/04/21	–
2015 policy bank bonds	16,628	3.97%	2025/02/27	–
2016 policy bank bonds	16,452	2.65%	2019/10/20	–
2017 policy bank bonds	16,418	3.83%	2024/01/06	–
2017 policy bank bonds	15,266	3.54%	2020/01/06	–
2016 policy bank bonds	14,743	3.43%	2021/12/08	–
2014 policy bank bonds	13,777	5.61%	2021/04/08	–

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

Liabilities

At 30 June 2017, our total liabilities increased by RMB966,675 million, or 5.3%, over the end of the previous year to RMB19,215,145 million. Deposits from customers increased by RMB1,066,948 million or 7.1%. Deposits and placements from banks and other financial institutions decreased by RMB230,560 million, or 15.8%, primarily due to the decrease in cooperative deposits from banks and other financial institutions. Financial assets sold under repurchase agreements decreased by RMB84,295 million, or 41.0%, primarily due to the decrease in the debt securities sold under repurchase agreements. Debt securities issued increased by RMB51,771 million, or 13.3%, primarily due to the increase in certificates of deposit issued.

Key Items of Liabilities

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Deposits from customers	**16,104,949**	**83.8**	15,038,001	82.4
Deposits and placements from banks and other financial institutions	**1,227,505**	**6.4**	1,458,065	8.0
Financial assets sold under repurchase agreements	**121,537**	**0.6**	205,832	1.1
Debt securities issued	**439,986**	**2.3**	388,215	2.1
Financial liabilities at fair value through profit or loss	**292,472**	**1.5**	301,170	1.7
Other liabilities	**1,028,696**	**5.4**	857,187	4.7
Total	**19,215,145**	**100.0**	18,248,470	100.0

Deposits from Customers

At 30 June 2017, the balance of deposits from customers increased by RMB1,066,948 million, or 7.1%, over the end of the previous year to RMB16,104,949 million. In terms of customer structure, corporate deposits increased by RMB665,162 million, or 11.9% over the end of the previous year, while retail deposits increased by RMB389,428 million, or 4.4% over the end of the previous year. In terms of maturity of deposits, the proportion of demand deposits increased by 0.4 percentage point over the end of the previous year to 56.3%.

Distribution of Deposits from Customers by Business Lines

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage (%)	31 December 2016 Amount	31 December 2016 Percentage (%)
Domestic deposits	**16,026,274**	**99.5**	14,937,670	99.3
Corporate deposits	**6,264,905**	**38.9**	5,599,743	37.2
Time	**1,910,265**	**11.9**	1,707,628	11.4
Demand	**4,354,640**	**27.0**	3,892,115	25.8
Retail deposits	**9,204,576**	**57.2**	8,815,148	58.6
Time	**4,489,040**	**27.9**	4,279,398	28.5
Demand	**4,715,536**	**29.3**	4,535,750	30.1
Other deposits[1]	**556,793**	**3.4**	522,779	3.5
Overseas and others	**78,675**	**0.5**	100,331	0.7
Total	**16,104,949**	**100.0**	15,038,001	100.0

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

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage (%)	31 December 2016 Amount	31 December 2016 Percentage (%)
Head Office	**84,087**	**0.5**	82,577	0.5
Yangtze River Delta	**3,526,772**	**21.9**	3,309,192	22.0
Pearl River Delta	**2,278,859**	**14.2**	2,100,051	14.0
Bohai Rim	**2,852,883**	**17.7**	2,681,161	17.8
Central	**2,758,655**	**17.1**	2,536,899	16.9
Northeastern China	**803,786**	**5.0**	773,462	5.1
Western China	**3,721,232**	**23.1**	3,454,328	23.0
Overseas and others	**78,675**	**0.5**	100,331	0.7
Total	**16,104,949**	**100.0**	15,038,001	100.0

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage (%)	31 December 2016 Amount	31 December 2016 Percentage (%)
Demand	**10,099,725**	**62.7**	9,007,828	59.9
Less than 3 months	**1,325,876**	**8.2**	1,685,789	11.2
3-12 months	**2,947,274**	**18.3**	2,637,833	17.6
1-5 years	**1,731,788**	**10.8**	1,705,965	11.3
More than 5 years	**286**	**–**	586	–
Total	**16,104,949**	**100.0**	15,038,001	100.0

Shareholders' Equity

At 30 June 2017, our shareholders' equity amounted to RMB1,358,441 million, comprised of ordinary shares of RMB324,794 million, preference shares of RMB79,899 million, capital reserve of RMB98,773 million, investment revaluation reserve of negative RMB9,856 million, surplus reserve of RMB115,137 million, general reserve of RMB230,463 million and retained earnings of RMB515,102 million. Net assets per ordinary share were RMB3.93, representing an increase of RMB0.12 compared to the end of the previous year.

Composition of Shareholders' Equity

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage (%)	31 December 2016 Amount	31 December 2016 Percentage (%)
Ordinary shares	**324,794**	**23.9**	324,794	24.6
Preference shares	**79,899**	**5.9**	79,899	6.0
Capital reserve	**98,773**	**7.3**	98,773	7.5
Investment revaluation reserve	**(9,856)**	**(0.8)**	3,578	0.3
Surplus reserve	**115,137**	**8.5**	115,136	8.7
General reserve	**230,463**	**17.0**	198,305	15.0
Retained earnings	**515,102**	**37.9**	496,083	37.5
Foreign currency translation reserve	**888**	**0.1**	1,625	0.1
Non-controlling interests	**3,241**	**0.2**	3,398	0.3
Total equity	**1,358,441**	**100.0**	1,321,591	100.0

Off-balance Sheet Items

Our off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. We enter 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. Our contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of the off-balance sheet items and comprised of loan commitments, bank acceptances, guarantee and letters of guarantee, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loan commitments	**707,377**	**40.8**	588,401	36.0
Bank acceptances	**276,027**	**15.9**	312,255	19.1
Guarantee and letters of guarantee	**224,496**	**12.9**	229,177	14.0
Letters of credit	**148,303**	**8.5**	181,284	11.1
Credit card commitments	**380,112**	**21.9**	323,217	19.8
Total	**1,736,315**	**100.0**	1,634,334	100.0

Other Financial Information

Changes in Accounting Policies

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

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

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

Business Review

Corporate Banking

In the first half of 2017, as a large state-controlled bank, focusing on the national strategies and "the 13th Five-Year Plan" on development, we actively served the real economy, accelerated corporate banking business transformation, and continued improving our comprehensive financial service capability. Closely following national industrial policies and the requirements of "cutting overcapacity, reducing inventory, deleveraging, lowering costs, and bolstering areas of weakness", we increased our support for infrastructure constructions, strategic emerging industries and modern service sectors and strengthened our financial service capability for the new economy. According to the 13 categories of major projects specified by the National Development and Reform Commission, we focused on supporting the major plans and the PPP project pool. To support the construction of Xiong'an New Area, we established a characteristic financial service system that is green, smart, innovative and inclusive. To actively serve the "Belt and Road Initiative", we helped Chinese enterprises to carry out the "Going Global" strategy and supported international capacity cooperation. To facilitate implementation of the *Strategic Cooperation Agreement on Financial Services in the Collaborative Development of Beijing-Tianjin-Hebei Region*, we provided comprehensive financial services for a number of major construction projects such as the sub-center of Beijing, new airports, and venues for Olympic Winter Games. For the development strategy of the Yangtze River Economic Belt, we supported the construction of comprehensive and three-dimensional transportation corridor as well as featured and advantageous industrial clusters along the river. To support the mixed ownership reform of state-controlled enterprises, we launched "finance + talents" financial services covering fund inception, IPO, merger and acquisition for state-controlled enterprises. To actively serve people's livelihood, we continued increasing the support for fields such as rebuilding of shanty areas, old city renovation and construction of affordable housing. We also set up the Inclusive Finance Department to facilitate the development of inclusive finance. Synergetic marketing of corporate banking business was carried out, as we strengthened our cross-selling of products in key fields such as supply chain finance, investment banking and asset management.

In order to follow the supply-side structural reform, better serve the real economy and promote market-oriented and legal-oriented debt-to-equity swap business, ABC Financial Asset Investment Company Limited was established on 1 August 2017 under the approval of CBRC on 27 July 2017, which was among the first batch of domestic market-oriented specialized debt-to-equity swap institutions.

As at the end of June 2017, we had 3,954.7 thousand corporate banking customers, of which 60.4 thousand customers had outstanding loan balances.

Corporate Loans and Deposits

During the reporting period, with more efforts in allocating funds, we carried out flow operation based on the new corporate customer relationship management system, to promote fund utilization efficiency within the Bank. Through accelerating product R&D and sales with a focus on innovation of products such as certificates of deposit, "Huoli Feng" and cash management, and upgrading financial service level, our corporate deposits achieved steady growth. As at 30 June 2017, the balance of the domestic corporate deposits amounted to RMB6,264,905 million, representing an increase of RMB665,162 million or 11.9% over the end of the previous year.

Focusing on high-quality large companies and major governmental projects, we increased financing support to and reserves of major marketing projects. We financed a batch of major projects in construction of infrastructure facilities, rebuilding of shanty areas, industrial upgrades and renovation of hydraulic engineering, which had good economic benefits and broad social influence. As at 30 June 2017, the balance of the domestic corporate loans and discounted bills amounted to RMB6,302,899 million, representing an increase of RMB364,701 million or 6.1% over the end of the last year. 7,951 projects were included in our database of our major marketing projects, up by 2,140 projects as compared to the end of the previous year. In the first half of 2017, new loans granted to these major marketing projects amounted to RMB344,853 million, representing an increase of RMB206,121 million over the same period of the previous year.

We continued optimizing our customer and regional structures of corporate real estate business to facilitate its healthy development. We mainly supported core customers of the Head Office, large state-controlled enterprises and state-controlled real estate enterprises with stable and healthy operation, and selectively supported core customers of Tier-1 branches with regional market influence. We mainly marketed the corporate real estate businesses in first-tier cities as well as in second-tier cities located in the Three Economic Zones, where the real estate markets recorded reasonable supply and demand ratio without obviously overheated prices. Meanwhile, we selectively supported the real estate business in second-tier cities located in other areas as well as third-tier and fourth-tier cities with reasonable price ranges. As at 30 June 2017, the balance of real estate loans to corporate customers amounted to RMB243,278 million, representing an increase of RMB9,752 million over the end of the previous year.

Small and Micro Enterprise Banking Business

During the reporting period, we continued cultivating our high-quality small and micro customer group, and expanded the pilot projects of featured products such as "Tax-Banking Connect" and "Technological Innovation Loan". We strengthened applications of financial technology in small and micro enterprises banking business. Through further developing the "internet loan based on big data" business and intensifying the application of "online opening of corporate account", we explored new operation and management model for small and micro enterprise banking business. As at the end of June 2017, the balance of loans to small and micro enterprises amounted to RMB1,282,678 million, representing an increase of RMB79,100 million or 6.6% over the end of the previous year.

Institutional Banking

In the first half of 2017, we further promoted our integrated financial services in the fields including public finance, social security, people's livelihoods and culture, and increased our credit support to schools, hospitals and hydraulic engineering projects. Agencies for public finance, business cards and social security cards as well as collection and payment of housing funds achieved rapid growth. As at the end of June 2017, we had established agency cooperation arrangements with 210 banks with expanding areas of cooperation. Third-party depositary business developed steadily. We had also offered third-party depositary services to 100 security firms and the number of the contracted customers reached 35,009.1 thousand. The average daily balance of funds under depositary amounted to 173,504 million. Our influence on bancassurance market strengthened constantly and we had established cooperative relationship[1] with 94 insurance companies. New bancassurance premium reached RMB149,535 million and commission income from bancassurance reached RMB6,652 million in the first half of the year, remaining the first among four major state-controlled banks in terms of commission income.

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1 *Establishing cooperative relationship includes entering into a comprehensive cooperation agreement and entering into a regional cooperation agreement.*

Settlement and Cash Management

We continuously improved service for corporate settlement account business, conducted active marketing towards newly-established enterprises, continuously innovated functions of settlement business, and expanded our channels. As at the end of June 2017, we had 4,913.8 thousand RMB-denominated corporate settlement accounts, representing an increase of 200.8 thousand accounts or 4.26% over the end of the previous year.

We kept improving the cash management business to serve for the real economy, by constantly expanding the applications of products such as guaranteed payment, easy collection & payment, fund supervision, bill pool + pool-based financing, as well as global cash management. We actively innovated in products and services, improved customer experience, and built an effective network to connect domestic and overseas operations step by step. By providing customers with integrated financial management services, which were global, all-embracing and highly intelligent as well as covering RMB and foreign currencies, the brand influence of "Xingyun" cash management was consistently enhanced. As at the end of June 2017, the accounts of active cash management customer reached 1,687.6 thousand, representing an increase of 5.9% over the end of last year.

Trade Financing and International Settlement

Proactively supporting "the Belt and Road Initiative", and the strategies of "Going Global" of Enterprises and Internationalization of RMB, we continued refining our cross-border integrated financial service system and promoted product innovation and operation transformation, which led to steady development of international settlement and trade financing business. We vigorously promoted cross-border RMB business and boosted the innovative development of businesses in the free trade zones. In the first half of 2017, the total volume of international trade financing (including financing under domestic letters of credit) granted by the domestic branches of the Bank reached USD48,913 million, and the total volume of international settlement reached USD431,596 million. Letters of foreign guarantee amounted to USD10,852 million and cross-border RMB-denominated settlement amounted to RMB374,661 million.

Investment Banking

During the reporting period, we greatly enhanced our comprehensive service capabilities in investment banking business, and established seven core product lines including bond underwriting, assets securitization, industry fund, debt financing plans, syndication financing, merger and acquisition and equity financing so as to promote the transformation of investment banking business towards high-end service featuring "finance + talents + credit". To actively serve the supply-side structural reform and major national development strategies, we launched special investment banking services (IBS) plans, including "Beijing-Tianjin-Hebei Region", "Belt and Road", "Yangtze River Economic Belt", "Sannong" and "Xiong'an New Area".

In the first half of the year, we underwrote 121 tranches of bonds with an aggregate amount of RMB149,783 million. Among which, 23 tranches of financial bonds were underwritten with an aggregate amount of RMB38,820 million, representing an increase of RMB15,630 million or 67.4% compared to the corresponding period of the previous year. As a lead underwriter, we underwrote the first domestic "Bond Connect" corporate bond – the 17th tranche of super short-term commercial paper of State Power Investment Corporation in 2017. We vigorously developed green finance and underwrote debt instruments with an aggregate amount of RMB37.1 billion for customers in green industries. We underwrote the first batch of construction bonds in China with an amount of RMB500 million for serving the "Belt and Road", so as to provide construction funds for the reconstruction and extension project of Urumqi International Airport, a key project under the "Silk Road Economic Belt" program. We led underwriting China's first tranche of bonds for poverty alleviation with an amount of RMB500 million. We actively divested from Industries with high energy consumption, high pollution or overcapacity, with the debt underwritten related to enterprises in those industries decreased by RMB21.56 billion compared to the corresponding period of the previous year.

In the first half of the year, we successfully completed five demonstrative projects for corporate asset-backed securitization, including the first commercial bank-led asset-backed securitization project for the accounts receivable of a state-controlled enterprise, the first asset-backed securitization project for a 5A natural scenic spot, and the asset-backed securitization projects for small loans of industry chain for HaierMoney, a micro-loan enterprise under Haier Group.

In the first half of the year, we formulated guidance opinions and service schemes for businesses such as cross-border merger and acquisition, mixed ownership reform of state-controlled enterprises, and M&A consultation. We focused our support on the M&A projects relating to mixed ownership reform of state-controlled enterprises and green finance, with RMB20,890 million M&A loans granted.

In the first half of the year, we provided structured financing service plans designated for high-end customers through the design of the structured financing programs with a total amount of RMB176.79 billion.

Retail Banking

In the first half of 2017, responding to the changes of customer demands and the development of financial technology, we deepened the transformation of retail banking business. By innovating our marketing concepts and models and applying big data analysis, we promoted targeted selling and cross selling, so that customers' financial assets under our management achieved steady growth. We actively strengthened the synergies between online and offline channels, promoted the standardization transformation and intelligence upgrade of branch outlets, refined service mechanism, and streamlined service processes to continuously improve our customer experience.

Retail Loans

We implemented the national macro-control policies, fully satisfied the diversified demands of customers and accelerated the transformation of retail credit business. We actively supported residents' reasonable demands of purchase of residential properties for non-investment purpose, and pushed forward the steady development of retail residential credit business. As at the end of June 2017, the retail residential mortgage loans increased by RMB295,896 million as compared to the end of the previous year, among which the "Anjiadai" loans for rural households increased by RMB103,860 million as compared to the end of the previous year, accounting for 35.1% of the increase in retail residential mortgage loans. We catered to customers' consumption favourites, exerted more efforts in promoting key products such as "Salary-based Loan", and expanded the coverage of online products such as "Internet Quick Loan", to promote the development of retail consumption credit business. Based on customer classification, we focused on supporting quality merchants, individual and private business owners, so as to effectively guide healthy development of loans to private business. As of the end of June 2017, the balance of retail loans amounted to RMB3,680,688 million, representing an increase of RMB339,809 million over the end of the previous year.

Retail Deposits

In the first half of 2017, we deeply furthered the service transformation and product innovation based on customer demands. We collected low-cost funds and optimized the structure of liabilities to effectively consolidate our leading position of retail deposits. As at the end of June 2017, the balance of retail deposits amounted to RMB9,204,576 million, representing an increase of RMB389,428 million or 4.4% over the end of the previous year.

Bank Cards

At the end of June 2017, the number of debit cards issued by the Bank amounted to 883 million, ranking the first among the large four banks, representing an increase of 2,967.1 thousand over the end of the previous year. The number of debit IC cards issued amounted to 532 million. To satisfy diversified demands of the customers, we introduced new payment products such as "Huawei Pay", "Mi Pay" and small password-free payments. Meanwhile, we carried out various promotion activities such as debit card for consumption, themed and featured cards, and "Quick Pass", which had effectively lifted up the utilization rate of the debit cards and the engagement of the customers.

We refined the integrated online and offline card issuance and marketing channels. New products such as China Southern Airlines co-branded card and credit money were introduced, and we took the initiative to launch the scanning payment business in cooperation with UnionPay. We carried out targeted marketing covering the entire lifecycle of customers by taking advantage of big data and the models such as client profile and consumption potential. We put great efforts on the development of instalment business and launched a product named "Credit Money (Enjoy Instalment Now)", which increased the transaction volume of auto instalment business.

Item	**30 June 2017**	31 December 2016	Growth rate (%)
Number of debit cards issued (unit: 10,000)	**88,338.27**	88,041.56	0.3
Number of credit cards issued (unit: 10,000)	**7,822.78**	6,863.00	14.0

	Six months ended 30 June 2017	Six months ended 30 June 2016	Growth Rate (%)
Transaction volume for debit cards (RMB100 million)	**31,154.77**	31,434.12	-0.9
Transaction volume for credit cards (RMB100 million)	**6,894.05**	6,462.41	6.7

Private Banking Business

We adhered to the operation philosophy of "responding to the market more proactively, serving customers more professionally and driving foundation-level institutions more efficiently". We implemented the mechanism where designated persons undertook major responsibilities to provide professional services to private banking customers, so as to offer comprehensive financial services covering entire value chain to high net-worth customers, families and companies.

As at the end of June 2017, the number of private banking customers[1] was 67 thousand and the balance of assets under management amounted to RMB924,336 million, representing an increase of 13.9% over the end of the previous year. We established a professional service system for private banking business composed of 37 private banking departments in tier-1 (direct) branches and 92 wealth management centres. Based on economic cycle and customer demand, we properly managed the investment portfolio to balance the return and security of our customers' funds. Meanwhile, we improved the exclusive services for private banking customers by focusing on family trusts and innovatively introducing the insurance premium trusts. We launched cross-border referral business to manage customers' domestic and overseas assets.

[1] *Private banking customers refer to commercial banking customers whose net financial assets amounts to RMB6 million or above. At the end of 2016, we had 62 thousand customers whose net financial assets amounted to RMB6 million or above and the balance of assets of these customers under management was RMB811,543 million.*

Treasury Operations

The treasury operations of the Bank include money market activities and investment and trading activities. Adhering to the principle of prudent operation, and flexibly coping with changes in domestic and foreign financial markets, we adjusted investment strategies timely, and enhanced risk management capability continuously. Our investment return on assets remained at a relatively high level among peers.

Money Market Activities

In the first half of 2017, the PBOC continued its prudent and neutral monetary policies. On condition of securing overall sufficiency in the market, the PBOC properly tightened the liquidity through various tools, such as OMO, MLF, PSL, standing lending facility ("SLF"), TLF, and treasury cash management. The MPA project was further pushed forward, in order to lower the leverage level of the financial system and prevent systemic risks in the financial markets.

Under the circumstance of deleveraging of the financial markets, we strengthened research on monetary policies and forecast of market liquidity, and expanded proactive debt channels by means of, among other things, OMO, MLF and money market financing to secure our liquidity while improving the efficiency of fund utilization. In the first half of 2017, the Bank's RMB-denominated financing transactions amounted to RMB9,142,015 million, including RMB6,585,281 million in lending and RMB2,556,734 million in borrowing. We paid close attention to monetary policies of developed economies and market changes caused by big events such as Brexit and European political situation, and maintained a prudent strategy for foreign currency financing activities.

Investment and Trading Activities

Trading Activities

The yield of the bond market experienced an upward trend with fluctuations in the first half of 2017. We closely monitored changes in the bond market, controlled market fluctuation risks and increased the income of portfolios by timely decreasing positions of transaction portfolios and shortening duration when market yield was on the significant upside. As a domestic large leading bond market maker, we actively participated in the operations supporting the market making of government bonds to continuously improve the liquidity of government bonds in the secondary markets. Leveraging on our core advantages in financial market business, we strengthened synergies between domestic and overseas businesses. As one of the first batch of "Bond Connect" market making and quotation agencies, we made "Bond Connect" transactions with many overseas institutions, which effectively advanced the opening up of domestic bond market.

Banking Book Activities

In the first half of 2017, by following the yield rate trend in the bond market and rationally seizing investment opportunities, we increased our investment and actively selected bonds with higher investment value when the yield rate was high. We enhanced sophisticated management of corporate bonds, and closely monitored the changes in the credit standings of relevant enterprises and the development of credit default events and strengthened risk anticipation and prevention, to control the investment risks effectively.

Adhering to a foreign currency investment strategy of making progress while maintaining stability, we further strengthened the research and anticipation on the rate hikes and balance sheet normalization by the Federal Reserve and the European political situation. Responding to the market changes, we controlled the duration of portfolios, moderately expanded the scales of investment portfolios and strictly controlled the credit risks, so that the structure of our foreign currency investment portfolios was constantly optimized.

Asset Management

Wealth Management

During the reporting period, we actively promoted the innovation on the products and sales models of wealth management. Through enriching product categories and reasonably arranging product maturities, we satisfied customers' diversified demands in terms of liquidity, profitability and security. According to regulatory requirements and our development strategies, we strengthened management basics and improved our management by information technology. We also increased high-yield assets such as high-quality debts to improve yields on condition of ensuring assets security. As at 30 June 2017, the balance of wealth management products amounted to RMB1,504,232 million, including retail wealth management products of RMB1,189,634 million and corporate wealth management products of RMB314,598 million.

In 100 millions of RMB, except for percentages

Item		**Balance of product**	**Percentage (%)**
By target	Personal wealth management	11,896.34	79.1
	Corporate wealth management	3,145.98	20.9
By type	Principal guaranteed products	3,180.35	21.1
	Non-principal guaranteed products	11,861.97	78.9
Total		15,042.32	100.0

Custody Service

As of the end of June 2017, we had RMB9,389,439 million of assets under custody, representing an increase of 4.3% over the end of the previous year. In the first half of 2017, the Bank's commission income from custody service and other fiduciary services amounted to RMB1,970 million, representing an increase of 9.3% over the same period of the previous year.

Pension Business

In the first half of 2017, we vigorously expanded our pension business. We succeeded in marketing annuities and semi-annuities projects of several well-known enterprises. As at 30 June 2017, pension funds under the Bank's custody amounted to RMB429,340 million, representing an increase of 15.4% over the end of the previous year.

Precious Metal Business

Influenced by the interest hike policy of Federal Reserve and risk averse appetite of investors, the prices of precious metal fluctuated in the first half of 2017, showing an M-shaped trend. In response to market changes, we enhanced the promotion of precious metal trading businesses such as account-based precious metal trading business. In the first half of 2017, we traded 1,924.89 tons of gold and 31,531.66 tons of silver for our own account as well as on behalf of customers, achieving steady growth in both trading volume and market share. We continued our support to customers in the industrial chain by developing gold leasing business, further enhancing our market influence.

Treasury Transactions on behalf of Customers

In the first half of 2017, following regulatory requirements, we timely adjusted the mechanisms of quotation to customers and improved the level of customer service, which facilitated balanced development of our foreign exchange business. During the reporting period, the transaction volume of foreign exchange settlements and purchase and that of foreign exchange trading on behalf of customers amounted to USD153,227 million[1], representing an increase of 13.3% over the same period of the previous year. We broaden the bond distribution business of medium and small investors and promoted the "Zhaishibao" brand business. In the first half of 2017, bonds of "Zhaishibao" amounting to RMB5,250 million were distributed at the primary market and the trading volume at secondary market reached RMB2,031 million, both leading among our peers.

Agency Distribution of Fund Products

Faced to the continuous fluctuation of the capital markets and ever-changing fund industry, we constantly optimized asset allocation of fund for customers. Cooperating with outstanding fund companies, we developed innovative products in line with market trends. Continuous efforts were also put into the marketing of initial offered funds and well-performing funds. During the reporting period, our agency distribution businesses developed steadily, with cumulatively distributed fund products of RMB131,561 million.

Agency Sales of PRC Government Bonds

In the first half of 2017, we issued eight batches of savings treasury bonds as an agent in the amount of RMB22,707 million, including four batches of savings treasury bonds (electronic) of RMB12,939 million and four batches of savings treasury bonds (certificated) of RMB9,768 million.

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1 *The transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers includes that of spot foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers, and the total contract amount of forward/swapped foreign exchange sales and settlements as well as foreign exchange trading.*

Green Finance

Green Credit

During the reporting period, adhering to the philosophy of green development, we conscientiously implemented the national industrial policies, environmental protection policies and financial regulatory requirements. We regarded green credit as our focus to fulfill our social responsibilities, serve the real economy and adjust our credit structure.

More green credit was granted. Focusing on key fields including clean energy, green transport, and regional pollution control, we prioritized our credit resources to guide more credit investment into industries concerning green, low-carbon, and cyclic economy. At the end of June 2017, the balance of our green credits business was RMB729,441 million, representing an increase of RMB80,009 million compared to the end of the previous year. In terms of the achievements in energy-saving and emission-reduction, more than 25 million tons of standard coal were conserved and nearly 60 million tons of carbon dioxide equivalent were reduced every year though the energy saving and environment protection projects supported by the Bank.

Green credit policies were improved. We incorporated green credit policies into our credit policy system. In our 2017 Guideline for Credit Policies, we specified management requirements for our green credit business, proposed directions for product and service innovation, and further strengthened management and control on environment and social risks, in order to provide guidance for the development of green credit business. We further deepened the application of green credit indicator system. With a focus on five major green indicators, namely efficiency, benefits, environment protection, resource consumption and social management, we modified and refined the industry-specific credit policies. As such, we further exerted positive role of the green indicators in promoting green development, optimizing our customer structure, and preventing environment risks. Our green credit indicator system had already covered 18 industry-specific credit policies.

The environmental and social risks were prevented and controlled. We included the concept of green credit into the whole-process management of credit business. We monitored environmental and social behaviors of the enterprises during the processes such as due diligence, customer access, review and approval, loan disbursement review and post-disbursement management. As for those who failed to exert sufficient control over environmental and social risks, we resolutely refused to do business with them. As for those who were identified as violating the laws and regulations on environment and safety production by the national and local authorities, or for those who were identified as holding backward production capacity to be phased out by the national and local authorities, we urged them to rectify relevant risks. If they failed to meet the rectification standards, we lowered their ratings and strictly controlled their credit exposure.

Product Portfolio Related to Green Investment Banking Business

During the reporting period, we established a product portfolio related to green investment banking business, covering a series of products such as green bonds, securitization of green assets, green industry fund, green merger and acquisition and equity financing, green consultancy, and carbon finance.

We engaged in the underwriting and issuance of green bonds. During the reporting period, we successively underwrote seven tranches of green financial bonds, including Hebei Financial Leasing, Huarong Financial Leasing, Bank of Beijing, Bank of Nanjing, among other things, with RMB22.1 billion being raised. We underwrote green debt instrument for non-financial enterprise for the first time, i.e., the successful issuance of green medium-term note worth RMB2 billion for China Three Gorges Corporation, to finance its offshore wind power projects.

We conducted securitization of green assets innovatively. During the reporting period, we successfully issued RMB212 million of the securitization product for Shaanxi Huashan Tourism Group, with service fees from the Huashan scenic spot as the underlying assets. This securitization of green assets supported the protective exploration of ecological tourism resources for Shaanxi Huashan Tourism Group, which enriched the securitization product series of cultural and tourism assets traded on the stock exchanges.

Distribution Channels

Branch Outlets

Conforming to the trend of financial technology development, we made great efforts on the standardization transformation and intelligent upgrading of the branch outlets. As at the end of June 2017, 71% of our branch outlets completed their standardization transformation and 36 thousand sets of "super counters" were launched, covering 90% of the branch outlets, which effectively improved our services and customer experience.

Telephone Banking

During the reporting period, we continued to refine the voice self-services of the telephone banking, so as to further improve customer experience. In the first half of 2017, we received 242 million calls via the 95599 customer service center, while 67.25 million calls were answered by customer service staff with a completion rate of 78.4%.

Self-service Banking

During the reporting period, we accelerated the intelligent transformation of self-service banking facilities. By applying the face recognition technology, we researched and developed and promoted the function of cash withdrawal upon face scanning. By using the analytics technology of big data, we conducted targeted marketing of financial products to individual customers. We continuously strengthened risk control and compliance operation in self-service banking business, carried out comprehensive investigation into and effectively mitigated the anti-money laundering risk. As at the end of June 2017, we had 131.7 thousand cash-related self-service banking facilities, and 52.9 thousand self-service banking terminals. 85.7% of the transactions were diverted to self-service banking facilities. We ranked the first among our peers in terms of number and amount of inter-bank transaction settlements.

Internet Finance

During the reporting period, we continued promoting the transformation and upgrading of our internet finance business. We facilitated internet finance serving Sannong. We developed a comprehensive internet platform for Sannong financial service, with sound functions, diverse products, and open and sharing features. In addition, we established the internet finance service system for serving Sannong, which was comprised of product, administrative measure, technology, operation and risk control. Focusing on the six key points of "Market, Product, User, Data, Experience and Risk Control", we expanded the Business-end business, revitalized the Consumer-end business, improved operational support and strengthened risk management. In the first half of 2017, the number of internet finance customers and transaction volume through internet finance both achieved stable growth, and the capacity of creating value of our internet finance business was further enhanced. As at the end of June 2017, the total number of our internet finance customers[1] reached 765 million, representing an increase of 54.143 million over the end of the previous year. In the first half of 2017, we also recorded 20,050 million financial transactions through electronic channels, representing an increase of 52.8% over the same period of the last year. The financial transactions through electronic channels accounted for 97.0% of the total number of financial transactions, representing an increase of 2.7 percentage points over the same period of the last year.

Business-end Business

We continued construction and promotion of the "ABC e-steward" platform, which brought out more open and sharing feature, refined functions, and optimized and innovative model. The platform supported multi-version applications such as PC, mobile phone, and WeChat. According to the production and living conditions of our "Sannong" customers, we refined basic functions such as the integrated online and offline payment and settlement, and promoted diverse functions covering fee payment, wealth management and insurance. We innovatively launched a service mode of "ABC e-steward APP + Yinxuntong", which connected the Huinongtong service stations with internet, and fostered the new business model of scenario-based e-commerce + financial service, so as to effectively promote our ability to serve "Sannong" through online and offline channels coordinately.

We pushed forward the construction of corporate finance service platform, on which we launched new products of "Internet Loans Based on Big Data" and "Online Bill Pool Financing", diversifying our online financing system for corporate customers. We put our "RMB cross-border remittance" function, which is conducive to the strategy of "Internationalization of RMB", and upgraded the "group business" section of the platform to offer one-stop solution for headquarters of group companies to manage accounts of their subsidiaries. As at the end of June 2017, we had 4.928 million corporate internet banking customers (including Bank-Enterprise Connect), representing an increase of 18.7% over the end of the previous year, and recorded a transaction volume of RMB34.5 trillion in the first half of 2017. As at 30 June 2017, the online coverage of products targeted at corporate customers increased to 85% from 71% at the end of the previous year.

1 *The number of internet finance customers = the number of electronic banking customers – the number of telephone banking customers.*

Consumer-end Business

Adhering to the core service principle of "Open, Integrate, Customize and Share", we continuously optimized the retail internet banking and mobile banking. Based on daily life scenarios, we refined the product functions and operation procedures to improve customer experience, and further enriched product portfolio covering transfer, credit card, investment and wealth management, and loan. As at the end of June 2017, we had a total of 206 million registered customers of retail internet banking[1], representing an increase of 9.0% as compared to the end of the previous year, and achieved a transaction volume of RMB24.3 trillion for the first half of the year. We also had 188 million mobile banking customers, representing an increase of 11.2 % as compared to the end of the previous year, and recorded a transaction volume[2] of RMB13.4 trillion for the first half of the year, representing an increase of 146.9% over the corresponding period of previous year. In the first half of the year, our website recorded 1,438 million visits. As at the end of June 2017, we had 366 million customers contracted for mobile banking SMS services with 20.5 billion SMS messages sent for the first half of the year.

Support System

We fully explored the value of data and strengthened the operational support. Through optimizing the data models, we continuously implemented targeted marketing to mobile banking customers. We built up the business models of "asset view" and "financial secretary" applied to mobile banking and internet banking, which enabled us to provide the data view for asset management to our customers and carry out tailor-made marketing. We also started construction of a decision-making supporting system based on big data, to provide assistance in making business decisions and promote business development.

We planned to establish a specialized operational system for internet finance business, which would realize real-time monitoring on anti-fraud in key transactions and set up a comprehensive operational and management platform with integrated functions, including system management, risk management, parameter management, information management, query and monitoring.

Cross-border Financial Service

In the first half of 2017, the Bank proactively supported national strategy of economy and diplomacy, steadily promoted the layout and development of overseas institutions. During the reporting period, the Bank's Dubai Branch commenced operation and the overseas applications for the establishment of Hanoi Branch, Vancouver Branch, London Branch, Macao Branch and a representative office in Sao Paulo were processed smoothly. As at the end of June 2017, the Bank had established 18 overseas institutions in 15 countries and regions, as well as a joint venture bank, forming an overseas network covering Asia, Europe, North America, Oceania and Africa. During the reporting period, in accordance with national strategies including the "Going Global" strategy of agricultural enterprises, infrastructure interconnectivity and internationalization of RMB, the Bank steadily pushed forward the institutional and functional layout in the countries and regions involved in "the Belt and Road Initiative". As such, we strived to create a featured and differentiated overseas service platform to further enhance our global integrated financial service capability. As at the end of June 2017, the total assets of our overseas branches and subsidiaries reached USD120,676 million, representing an increase of 10.4% compared to the end of the previous year. Net profit for the first half of the year was USD439 million, representing an increase of 81.4% as compared to the corresponding period of previous year.

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1 *Registered customers of retail internet banking include USB-KEY certificate customers and IE certificate customers.*

2 *In the calculation of the transaction volume of our mobile banking services, transfers of fund between the Bank's accounts were calculated on unidirectional basis instead of bidirectional basis.*

Diversified Operation

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

In the first half of 2017, our four subsidiaries on the integrated operation platform (namely ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited, ABC Financial Leasing Co., Ltd. and ABC Life Insurance Co., Ltd.) acted in line with the strategic requirement of "enhancing synergies to achieve higher returns". We enhanced the collaboration between the Bank and subsidiaries, strengthened intra-group business integration and intensified joint expansion and sharing of channels and customers. Our four subsidiaries further adjusted business structures and improved the quality of development. As a result, we achieved favorable results of operation. As at the end of June 2017, the total assets of the four subsidiaries amounted to RMB150,182 million, with net profits totalling RMB1,089 million in the first half of 2017.

Information Technology

Implementation of key technology projects was facilitated. The Bank refined the function of the information system, and promoted internet financial service capability, with focus on the first priority of internet finance serving "Sannong". We launched the new version of mobile banking App, which developed new functions beneficial to farmers such as QR payment, authorized payment and online customer service. We launched new products such as corporate RMB cross-border remittance and payment through authorized accounts in the corporate banking platform. We expanded and optimized the basic structure of big data platform, and developed and put into operation the real-time streaming platform, unified data submission platform and data access bus function. We completed the construction of data analysis and mining platform as well as the information platform for operation and management, which improved the capability of data analysis and application.

Efforts were made to promote the innovation and application of technology products. We finished the operation of the principal functions of the online bill pool financing and "Huoli Feng" for corporate customers. We piloted cash withdrawal upon face scanning at ATMs successfully and initiated bank-wide promotion of such technology, thus facilitating the intelligent transformation of self-service channel. We finished the project of basic service for quotation in relation to financial market and asset management. We also established the overseas core banking system for Vancouver representative office.

Sophisticated operation and management was supported. We had promoted the management system of "Three Lines and One Grid" across the Bank. We finished the first phase of anti-money laundering project which enabled real-time monitoring and response with respect to the terrorist list. We established unified credit risk view and enhanced the capability of credit risk warning and monitoring by our systems.

The research and innovation of financial technologies was strengthened. We established normalized research and application mechanism of new technologies and kept tracking developments and industrial applications of block chain, cloud computing, artificial intelligence and other new technologies. We entered into a strategic cooperation agreement on collaborative innovation in "New Generation Infrastructure Cloud Computing Platform" with Huawei and co-founded a joint fintech laboratory with Baidu so as to promote collaborative innovation.

The safe running of our information system was ensured. We promoted construction of the "two cities and three centers" project and configured distant double-active disaster recovery systems in Beijing and Shanghai for the mainframes of our core business systems. We made the implementation plan for the optimization of core backbone network and tier-1 backbone network. We coped with the blackmailing virus "Eternal Blue" successfully with "zero infection" across our information system. During the reporting period, our transaction volume of operation increased steadily. The average transaction volume per working day of our core operation system reached 397 million, while the highest daily transaction volume reached 479 million. The Bank's information system was sustainable in providing continuous and stable services.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, the Bank persisted with the market-oriented approach and continued to enhance the reform of human resources. The Bank established the Inclusive Banking Business Division and exerted all-out efforts in building an inclusive banking service system supported by the "County Area Banking Business Division + Inclusive Banking Business Division". The Bank set up an anti-money laundering center in the Head Office and attached greater importance to the risk-based and compliance-prioritized management philosophy and the concept of enhance domestic and overseas integrated management. The Bank issued the implementation plans for the municipal branches in capital cities, which aimed to optimize the operation layout and shorten the business process to enhance the comprehensive competitiveness. The Bank also further optimized and adjusted the internal organizational structures of its branches and sub-branches, and increased the management authorization to specify responsibilities and reporting routes. Moreover, the Bank strengthened the links between employees and salary resources with value creation and operation transformation, and explored the potentials of internal employees to improve the utilization efficiency of human resources.

Cultivation and Development of Human Resources

During the reporting period, the Bank accelerated the "Four Major Projects" of talent development, including cultivation of chief managers, development of professional staff, transformation and optimization of foundation-level teams and retaining talents. The Bank carried out a series of reform measures and put great efforts in cultivating, selecting and employing financial talents with great political consciousness, excellent style of work and professional skills. The Bank organized open selections for deputy leaders in overseas institutions to promote the upgrading of the leadership. The Bank expedited the implementation of "Binary Channels" reform to promote the regular selection and recruitment of candidates for high-level professional positions and to expand the career path of its employees. The Bank optimized the allocation of and management over the staff through branch outlet transformation, E-channel replacement, and the optimization of labor organization, in order to release the potential and innovation vitality of the foundation-level staff. The Bank promoted the special training method of combining operation, training, and research, and organized demonstrative trainings to corporate financial advisors and Sannong customer managers to elevate the pertinence, adaptability, and effectiveness of educational trainings. Moreover, the Bank brought in a more competitive incentive constraint mechanism to attract, motivate and retain back-bone staff, and took efforts to keep talents by providing good career opportunities, a pleasant working environment and effective mechanisms.

Information on Employees

The Bank had 489,455 employees (and additional contracted employees of 9,169) at the end of June 2017, representing a decrease of 7,243 compared to the end of the previous year. Among our employees, 8,062 persons were employed in our major domestic subsidiaries and 847 persons were local employees in our overseas institutions.

Distribution of Our Employees by Regions

	30 June 2017	
	Number of Employees	**Percentage (%)**
Head Office	8,347	1.7
Yangtze River Delta	66,449	13.6
Pearl River Delta	52,646	10.8
Bohai Rim	70,113	14.3
Central China	103,137	21.1
Northeastern China	51,334	10.5
Western China	128,520	26.2
Subtotal of Domestic Branch Outlets	480,546	98.2
Major Domestic Subsidiaries	8,062	1.6
Overseas Institutions	847	0.2
Total	489,455	100.0

Management of Branch Outlets

Domestic Branch Outlets

As of the end of June 2017, the Bank had 23,686 domestic branch outlets, including the Head Office, the Business Department of the Head Office, three specialized institutions managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 365 tier-2 branches (including business departments of branches in provinces), 3,505 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), 19,719 foundation-level branch outlets and 55 other establishments.

Number of Domestic Branches and Branch Outlets by Regions

	30 June 2017	
	Number of Domestic Branch Outlets	**Percentage (%)**
Head Office[1]	8	–
Yangtze River Delta	3,120	13.2
Pearl River Delta	2,554	10. 8
Bohai Rim	3,402	14.4
Central China	5,266	22.2
Northeastern China	2,288	9.7
Western China	7,048	29.7
Total of Domestic Branch Outlets	23,686	100.0

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

Overseas Branch Outlets

As of the end of June 2017, the Bank had ten overseas branches and three overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai International Financial Center, Tokyo, Frankfurt, Sydney, Luxembourg and Dubai branches, as well as the Vancouver, Hanoi and Taipei representative offices.

Major Subsidiaries

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 and its registered capital was RMB200 million, 51.67% of which was held by the Bank. Its businesses include fund-raising, sales of fund and asset management, and the major products include stock funds, mixed funds, bond funds and monetary market funds.

At 30 June 2017, the total assets and net assets of ABC-CA Fund Management Co., Ltd. amounted to RMB932 million and RMB792 million, respectively. It recorded a net profit of RMB99,025.3 thousand for the first half of the year.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong in November 2009 and its registered capital 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 including sponsorship and underwriting for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation in Hong Kong, and is also eligible to engage in various capital market businesses in mainland, except the sponsorship for A-share listing.

At 30 June 2017, the total assets and net assets of ABC International Holdings Limited amounted to HKD29,039 million and HKD6,612 million, respectively. It recorded a net profit of HKD915 million for the first half of the year.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 and its registered capital was RMB3 billion, 100% of which was held by the Bank. The principal scope of business includes finance lease, transfer and acceptance of financing and leasing assets, fixed-income securities investments, acceptance of lease deposit from lessee, inter-bank lending, borrowing from financial institutions, overseas loan, disposal and handling of leased items, financial consultation and other business approved by the CBRC.

At 30 June 2017, the total assets and net assets of ABC Financial Leasing Co., Ltd. amounted to RMB40,547 million and RMB4,738 million, respectively. It recorded a net profit of RMB138 million for the first half of the year.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2.95 billion, 51% of which was held by the Bank. ABC Life Insurance Co., Ltd. primarily engages in the insurance business including life insurance, health insurance and accident insurance; reinsurance business for the abovementioned business; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the China Insurance Regulatory Commission.

At 30 June 2017, ABC Life Insurance Co., Ltd. had total assets of RMB83,500 million and net assets of RMB4,897 million and the net profit for the first half of the year was RMB45,811.2 thousand.

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.

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 USD100 million. It engages in the corporate financing businesses, including corporate deposits, bilateral loans, syndicated loans, trade financing, international settlement, foreign exchange and derivatives. At 30 June 2017, Agricultural Bank of China (UK) Limited had total assets of USD1,111 million.

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 authorised scope of business includes retails, wholesales and treasury transactions. At 30 June 2017, Agricultural Bank of China (Luxembourg) Limited had total assets of USD22 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 RUB1.400 billion. It engages in wholesale banking businesses including international settlements, corporate deposits, syndicated loan, bilateral loans, trade financing and exchange transactions. At 30 June 2017, Agricultural Bank of China (Moscow) Limited had total assets of USD79 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 registered capital of RMB31 million, 50% of which was held by the Bank. At 30 June 2017, ABC Hubei Hanchuan Rural Bank Limited Liability Company had total assets of RMB270 million, net assets of RMB60 million and net profit for the first half of the year of RMB2,648.4 thousand.

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 registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 30 June 2017, ABC Hexigten Rural Bank Limited Liability Company had total assets of RMB247 million, net assets of RMB38 million and net profit for the first half of the year of RMB2,988.5 thousand.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai County, Yanan City, Shaanxi Province with registered capital of RMB20.00 million, 51% of which was held by the Bank. At 30 June 2017, ABC Ansai Rural Bank Limited Liability Company had total assets of RMB433 million, net assets of RMB56 million and net profit for the first half of the year of RMB3,488.4 thousand.

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 registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 30 June 2017, ABC Jixi Rural Bank Limited Liability Company had total assets of RMB187 million, net assets of RMB39 million and net loss for the first half of the year of RMB7,117.3 thousand.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in June 2012 in Yongkang City, Jinhua City, Zhejiang Province with registered capital of RMB210 million, 51% of which was held by the Bank. At 30 June 2017, ABC Zhejiang Yongkang Rural Bank Limited Liability Company had total assets of RMB631 million, net assets of RMB242 million and net profit for the first half of the year of RMB3,556.6 thousand.

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 registered capital of RMB100 million, 51% of which was held by the Bank. At 30 June 2017, ABC Xiamen Tong'an Rural Bank Limited Liability Company had total assets of RMB918 million, net assets of RMB138 million and net profit for the first half of the year of RMB8,143.7 thousand.

Major Investee

Sino-Congolese Bank for Africa was established by the Bank in the Republic of Congo, in which the Bank invested Franc CFA26,671.40 million, with a shareholding of 50%. Sino-Congolese Bank for Africa was granted a license by the Ministry of Finance of the Republic of Congo on 28 May 2015 and commenced operation on 2 July 2015.

County Area Banking Business

We provide customers in County Areas with a broad range of financial services through all our branch outlets in counties and county-level cities (namely county area regions) in China. We refer to such banking business as the County Area Banking Business or Sannong Banking Business. During the reporting period, we adhered to our strategic position of serving Sannong and continued to deepen the reform of County Area Banking Division. We profoundly carried out the No. 1 Project of internet finance serving Sannong. We also put more efforts in strengthening financial services in the key areas related to agricultural supply-side structural reform, continuously promoting product innovation, and improving our financial service capabilities in County Areas, so as to consolidate our status as an exemplary role and leader of the rural financial system.

County Area Corporate Banking Business

During the reporting period, we proactively served the agricultural supply-side structural reform. By further promoting the "Eight Campaigns"[1], we focused on financial services in key areas of Sannong to consolidate and enhance the competitiveness of our corporate banking business in County Areas.

Greater efforts were made to enhance financial services in key areas of Sannong. We continuously increased our support to key areas such as modern agriculture, hydraulic engineering projects, financial poverty alleviation, new-type urbanization and growing industries in County Areas and comprehensively improved our financial services for "Large Sannong, New Sannong, and Featured Sannong" to a higher level in all aspects. At the end of June 2017, the balance of loans for leading agricultural industrialization companies amounted to RMB155,585 million, representing an increase of RMB14,627 million compared to the end of the previous year. The balance of loans for County Area urbanization amounted to RMB495,230 million, representing an increase of RMB95,182 million compared to the end of the previous year. The balance of loans for water conservancy construction amounted to RMB320,136 million, representing an increase of RMB45,569 million compared to the end of the previous year.

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

Product and business innovation were preceded constantly. We revised our *Administrative Measures on Water Conservancy Construction Loans* and launched innovative loans backed by income from tourist attractions in County Areas. We actively encouraged branches to innovate regional products. As a result, a wide range of products with distinctive characteristics and brand enhancing effects such as "Loan for Beautiful and Inhabitable Cities and Villages", "Loan for Building Beautiful Villages" and "Loan for Promoting Liquor in Guizhou" were developed. We also innovated and promoted the new business models of serving Sannong through internet finance, by offering internet loans based on big data for upstream and downstream customers of leading companies for agricultural industrialization. For example, as at the end of June 2017, we completed a total of 3,708 transactions for upstream and downstream customers of Mengniu Group with RMB446 million being extended.

At the end of June 2017, the balance of corporate customer deposits in County Areas was RMB2,055,805 million, representing an increase of RMB195,356 million compared to the end of the previous year. Loans for corporate customers in County Areas (excluding discounted bills) amounted to RMB2,108,996 million, representing an increase of RMB235,681 million compared to the end of the previous year.

County Area Retail Banking Business

During the reporting period, we increased our support to new business entities and new business format in County Areas, and steadily advanced the strategy of serving Sannong through internet finance. We also improved our basic financial services in rural areas and comprehensively upgraded our service levels of County Area retail banking business.

We promoted the transformation and development of rural household loan business. Focusing on large-scale professional operators and family farmers, we actively supported development of new agricultural business entities. As at the end of June 2017, the balance of loans extended to new agricultural business entities including large-scale professional operators and family farmers was RMB67,545 million, representing an increase of RMB14,709 million compared to the end of the previous year. We proactively serve the citizenization of rural migrant workers by vigorously promoting featured "Anjiadai" loans. As at the end of June 2017, the balance of such loans reached RMB271,489 million, representing an increase of RMB103,860 million compared to the end of the previous year. We deepened our cooperation with government and steadily promoted rural household loan business under credit enhancement by government, with its balance reaching RMB37,999 million as at the end of June 2017. We steadily expanded the pilot programs for "Jinsui Kuainongdai" to promote the collective, intensive and patterned handling of rural household loan. As at the end of June 2017, the balance of such loans reached RMB5,546 million, representing an increase of RMB4,959 million compared to the end of the previous year.

We connected the "Jinsui Huinongtong" with internet finance. Conforming to the new situation, we formulated the implementation plan for "Jinsui Huinongtong" project to upgrade services. We accelerated the launch of e-commerce platforms such as "ABC e-Steward". As at the end of June 2017, commercial tenants on our e-commerce platforms totaled 168 thousands (including 164 thousands on the "ABC e-Steward"), which completed 628 thousands of transactions with a transaction amount of RMB5,940 million. Based on the existing "Jinsui Huinongtong" service stations, we deepened our cooperation with the Ministry of Agriculture in conducting the project of "Information Access to Villagers". As at the end of June 2017, our six branches in Liaoning, Zhejiang, Jiangsu, Jilin, Jiangxi and Gansu jointly founded 8,461 information communities with local agricultural authorities.

At the end of June 2017, the balance of deposits of retail customers in County Areas was RMB4,655,459 million, representing an increase of RMB224,707 million compared to the end of previous year. Loans for retail customers in County Areas amounted to RMB1,320,398 million, representing an increase of RMB121,270 million compared to the end of previous year.

Financial Poverty Alleviation

As at the end of June 2017, the balance of loans in 832 key counties of national poverty alleviation amounted to RMB780,700 million, representing an increase of RMB76.3 billion or 10.8%. The growth rate was higher than that of the total loans of the Bank by 3.7 percentage points. The loans were preferentially extended to key projects related to poverty reduction, benefiting people's livelihood and growth stimulation, backbone enterprises and poverty alleviation programs. As at the end of June 2017, the balance of loans for targeted poverty alleviation amounted to RMB258,273 million, representing an increase of RMB54,879 million or 27.0% compared to the end of previous year. Such loans served and benefited 6,160.5 thousand ratified and registered poor people, representing an increase of 563 thousand people or 10.1% compared to the end of previous year. In addition to the 17 loan products innovatively launched for targeted poverty alleviation in 2016, we developed 10 new loan products for targeted poverty alleviation in the first half of 2017. We preliminarily established a small loan product system for poverty alleviation in areas related to photovoltaic poverty alleviation, return-on-asset poverty alleviation, anti-poverty relocation, and production and operation of poor households. The loans extended to ratified and registered poor households amounted to RMB7.8 billion during the first half of 2017, whose balance reached RMB18.205 billion at the end of June 2017, with 1,064.1 thousand poor people whereby obtaining direct financial support.

<u>*Statistics of targeted financial poverty alleviation for the first half of 2017*</u>

I. Loans for targeted financial poverty alleviation (balance at the end of the period, in hundred millions of RMB)	2,582.73
1.1 Retail loans for targeted poverty alleviation	217.66
1.1.1 Loans for ratified and registered poor people	182.05
1.1.2 Other retail loans for targeted poverty alleviation	35.61
1.2 Corporate loans for targeted poverty alleviation	2,365.07
1.2.1 Loans related to industries for targeted poverty alleviation	652.17
1.2.2 Loans related to projects for targeted poverty alleviation	1,712.9
Of which: loans for improving ecological environment	46.9
Loans for improving rural infrastructure	1,641.78
II. People driven by loans for targeted financial poverty alleviation (number of existing loan customers, in ten thousands of people)	616.05
2.1 Number of people driven by loans for ratified and registered poor people at the end of the reporting period	106.41
2.2 Number of people driven by other retail loans for targeted poverty alleviation at the end of reporting period	14.15
2.3 Number of people driven by loans related to industries for targeted poverty alleviation at the end of reporting period	31.18
2.4 Number of people who were served by loans for targeted poverty alleviation at the end of reporting period	464.31

Financial Position

Assets and Liabilities

At 30 June 2017, the total assets of the County Area Banking Business reached RMB7,497,895 million, representing an increase of 6.5% compared to the end of the previous year. The total loans and advances to customers reached RMB3,482,346 million, representing an increase of 9.6% compared to the end of the previous year. The balance of deposits from customers reached RMB6,859,218 million, representing an increase of 6.8% 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 at the dates indicated.

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**3,482,346**	**–**	3,178,345	–
Less: Allowance for impairment losses on loans	**170,659**	**–**	162,590	–
Loans and advances to customers, net	**3,311,687**	**44.2**	3,015,755	42.8
Intra-bank balances[1]	**3,561,984**	**47.5**	3,435,785	48.8
Other assets	**624,224**	**8.3**	588,876	8.4
Total assets	**7,497,895**	**100.0**	7,040,416	100.0
Deposits from customers	**6,859,218**	**97.4**	6,421,067	97.3
Other liabilities	**183,783**	**2.6**	177,792	2.7
Total liabilities	**7,043,001**	**100.0**	6,598,859	100.0

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

Profit

In the first half of 2017, the profit before tax of our County Area Banking Business increased by 11.1% to RMB42,527 million, compared to the same period of the previous year, primarily due to the increase in net interest income.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2017	Six months ended 30 June 2016	Increase/ (decrease)	Growth Rate (%)
External interest income	**76,052**	72,363	3,689	5.1
Less: External interest expense	**43,054**	45,093	(2,039)	-4.5
Interest income from intra-bank balances[1]	**50,408**	53,789	(3,381)	-6.3
Net interest income	**83,406**	81,059	2,347	2.9
Net fee and commission income	**16,453**	16,694	(241)	-1.4
Other non-interest income	**2,430**	2,307	123	5.3
Operating income	**102,289**	100,060	2,229	2.2
Less: Operating expenses	**37,094**	39,002	(1,908)	-4.9
Impairment losses on assets	**22,668**	22,774	(106)	-0.5
Total profit before tax	**42,527**	38,284	4,243	11.1

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

Key Financial Indicators

In the first half of 2017, the return on average total assets of the County Area Banking Business was 0.96%, representing an increase of 0.03 percentage point compared to the same period of the previous year. The interest spread between deposits and loans was 3.22%, 35 basis points higher than that of the Bank. At 30 June 2017, the non-performing loan ratio of the County Area Banking Business was 2.76%, representing a decrease of 0.24 percentage point compared to the end of the previous year. The allowance to non-performing loans was 177.41% and the allowance to total loans was 4.90%.

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

Unit: %

Item	Six months ended 30 June 2017	Six months ended 30 June 2016
Return on average total assets	**0.96***	0.93*
Average yield of loans	**4.52***	4.91*
Average cost of deposits	**1.30***	1.49*
Net fee and commission income to operating income	**16.08**	16.68
Cost-to-income ratio	**36.25**	36.78

Item	30 June 2017	31 December 2016
Loan-to-deposit ratio	**50.77**	49.50
Non-performing loan ratio	**2.76**	3.00
Allowance to non-performing loans	**177.41**	170.30
Allowance to total loans	**4.90**	5.12

* *Annualized figures.*

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

Comprehensive Risk Management System

During the reporting period, we continued to advance the construction of our comprehensive risk management system in accordance with the requirements of our prudent risk appetite. Under the general requirement of "Comprehensively Preventing Risks and Fighting against Risks" and continuously following the guideline of "Mitigating Existing Risks while Controlling Emerging Risks", we further enhanced initiatives and effectiveness of our risk management by optimizing the departments' responsibilities for risk management, reinforcing capital measurement and exposure limit management, improving accountability and performance appraisal mechanisms for risk management, and enhancing the consolidation risk management on subsidiaries. Actively fulfilling the national requirements of the supply-side structural reform, we optimized the allocation of credit resources and adjusted the credit structure in terms of regions, industries, customers and products. We strengthened the prevention and control of credit risks in key areas to maintain our assets quality stable. We kept our leading position among comparable peers in terms of risk resistance level. We improved the risk management mechanisms for investment and wealth management businesses to effectively respond to market fluctuations. We also reinforced prevention and control of our operational risk, by restraining behaviors violating laws and regulations, improving the network information security protection system, and accelerating the construction of disaster recovery system.

In January 2017, the CBRC officially approved our applications to implement the Internal Models Approach (IMA) for market risks, unify the major benchmarks of non-retail rating among domestic and overseas branches, and abolish the regulatory restriction which provides that retail risk weighted assets shall not be less than those calculated using the weighted approach, so the application scope of the advanced approach of capital management further enlarged. During the reporting period, we continued to advance the unification of the non-retail Internal Rating Systems (IRS) among domestic and overseas branches and the reconstruction of non-retail customer rating system, and optimized the functions of those systems. We carried out early warning and identification of fraud risks in respect of retail loans based on big data. We reinforced the application of IMA for market risk to improve data quality and increase monitoring coverage of exposure limit system. We deepened the internal application of advanced approaches for operational risk to improve the measurement of case and anti-money laundering risks.

During the reporting period, the Risk Management Committee under the Bank's senior management held three meetings which discussed and considered various motions and reports, including our administrative measures on limit management of industry-specific exposures, the risk appetite and management policies of New York branch in 2017, the implementation of *Guidelines of Comprehensive Risk Management* issued by the CBRC, and the internal and external inspections and related rectifications in 2016.

Credit Risk

Credit risk is the risk of economic loss arising from a counterparty's failure to fulfill its obligations under an agreed covenant. We are exposed to credit risk primarily from our loan portfolio, investment portfolio, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

During the reporting period, following the national macro-control policies, we optimized allocation of our credit resources. We improved the restriction mechanism by strict loan management, and strengthened the prevention and control of credit risks in key areas, so as to prevent and mitigate various potential risks. We also stepped up efforts to collect and dispose of non-performing loans to maintain our assets quality stable.

Risk Management of Corporate Banking

We refined the policy systems for risk management. We issued credit policies for high-standard farmlands and strategic emerging industries. We also formulated rules for duty performance and exemption with respect to credit business to standardize business processes and enhance risk management capability.

We strengthened risk management in key areas. We continued to implement strict loan access management and customer list-based management, and strengthened limit management of industry-specific exposures. We further reduced loans granted to industries with severe overcapacity and directed credit resources invested to quality customers. Strictly implementing the regulatory policies on real estate industry, we adopted a differentiated management strategy of "One Policy for One City". We strictly controlled our engagement in residential projects in cities with high stockpile and high-cost projects with exceedingly high land price, to reinforce risk prevention and control incurred by real estate loans. We strengthened the management of existing loans granted through government financing vehicles and constantly optimized the structure of such loans. In addition, we carried out risk investigations and specialized rectification campaigns in key areas, to mitigate potential risks promptly.

We strengthened the post-disbursement management and accelerated the collection and the disposal of non-performing assets. We focused on post-disbursement management of key customers and monitoring customers with large credit exposures to mitigate potential risks timely. We exerted more efforts in the collection and the disposal of non-performing assets. While based on self-collection, we actively expanded ways of disposal. We continued to transfer non-performing loans in batches, pushed forward securitization of non-performing assets and explored debt-to-equity swaps, to maintain our asset quality stable.

Risk Management of Retail Banking

We refined our mechanism of intensive operation of retail loans to improve operation efficiency and our capability of risk control. We explored unified credit approval management for individual customers to avoid excessive credit. We rolled out the annual scoring management policy for retail loans, to elevate entry barrier against loans with high risk and strengthen economic capital management. Based on the stress testing for retail loans, we laid out specific plans for risk prevention and control. Besides, we strengthened the risk monitoring of retail loans and the disposal of non-performing loans. We conducted timely warning of risks related to key areas and products, and strengthened the collection and disposal of non-performing retail loans in the entire bank. We further strengthened the collection and write-off of non-performing loans, and initiated the securitization of non-performing assets related to retail business.

Risk Management of Credit Card Service

We strengthened the customer access management, reinforced credit approval and authorization management and exercised strict control over large-sum credit. Based on the big data platform, we reviewed the authenticity of customers' credit standing and identified fraud behaviors, so as to discover and mitigate risks on a timely manner. We organised centralized review and approval team, refined relevant standards, and started the practice of centralizing manual review and approval. We advanced automatic review on issuance of credit card, which helped raise the efficiency of card issuance and our capability of risk control. We strengthened the post-disbursement management, continued to monitor arbitrage transactions and investigated overdue risks, so as to take preventive measures such as card lock-up and lowering of allowed lines of credit. We also proactively advanced the securitization of non-performing assets related to credit card business.

Risk Management of Treasury Operations

We improved the monitoring and response system for customers' negative information, whereby it could timely track market dynamics and timely deal with and prevent risks. We kept on monitoring the credit risks related to our existing customers with credit exposures and transaction counterparties. By conducting quarterly inspection, we included customers with high potential risks into our watching list, which was adjusted dynamically according to market conditions. We also strengthened research and analysis on industries such as banking, security, non-ferrous metals, in order to organize the risk exposures of relevant customers and adopt timely measures in response to risks.

Loan Risk Classification

We formulated and refined relevant regulations on loan risk classification in accordance with the *Guidelines of Loan Credit Risk Classification* issued by the CBRC. We comprehensively assessed the recoverability of loans and classified the loans by taking 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 source.

We adopted two classification management systems for loans: (1) the five-category classification system and (2) 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 and improved the foreseeability and sensitivity of risk identification. Retail loans were managed with the five-category classification system. The system automatically classified the loans based on the length of period by which payments of principal or interest were overdue and the collateral type and allowed for a more objective risk assessment. Large retail loans for production and operation over RMB5 million were classified by our staffs for each half year to enhance risk sensitivity thereof. In addition, the classification was timely adjusted based on the 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

Item	30 June 2017 Amount	30 June 2017 Percentage of total loans (%)	31 December 2016 Amount	31 December 2016 Percentage of total loans (%)
Loans secured by mortgages	**4,787,314**	**46.0**	4,594,468	47.3
Loans secured by pledges	**1,457,254**	**14.0**	1,485,633	15.3
Guaranteed loans	**1,415,670**	**13.6**	1,293,680	13.3
Unsecured loans	**2,751,680**	**26.4**	2,345,858	24.1
Total	**10,411,918**	**100.0**	9,719,639	100.0

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	30 June 2017 Amount	30 June 2017 Percentage of total loans (%)	31 December 2016 Amount	31 December 2016 Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	**78,052**	**0.8**	79,545	0.8
Overdue for 91 to 360 days	**71,297**	**0.7**	86,468	0.9
Overdue for 361 days to 3 years (including 3 years)	**107,190**	**1.0**	98,427	1.0
Overdue for more than 3 years	**14,957**	**0.1**	10,195	0.1
Total	**271,496**	**2.6**	274,635	2.8

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	102,301	0.98
Borrower B	Transportation, logistics and postal services	22,988	0.22
Borrower C	Transportation, logistics and postal services	22,025	0.21
Borrower D	Transportation, logistics and postal services	21,699	0.21
Borrower E	Information transmission, Software and IT Services	21,450	0.21
Borrower F	Transportation, logistics and postal services	17,775	0.17
Borrower G	Production and supply of power, heat, gas and water	17,498	0.17
Borrower H	Transportation, logistics and postal services	16,941	0.16
Borrower I	Finance	16,000	0.15
Borrower J	Production and supply of power, heat, gas and water	15,394	0.15
Total		274,071	2.63

At 30 June 2017, we fulfilled the regulatory requirements that total loans to our largest single borrower represented 6.48% of our net capital and total loans to our ten largest borrowers represented 17.37% of our net capital.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

	30 June 2017		31 December 2016	
Item	**Amount**	**Percentage of total loans (%)**	Amount	Percentage of total loans (%)
Normal	**9,806,633**	**94.19**	9,111,457	93.75
Special mention	**376,854**	**3.62**	377,348	3.88
Non-performing loans	**228,431**	**2.19**	230,834	2.37
Substandard	**39,876**	**0.38**	57,550	0.59
Doubtful	**164,935**	**1.58**	151,587	1.56
Loss	**23,620**	**0.23**	21,697	0.22
Total	**10,411,918**	**100.00**	9,719,639	100.00

During the reporting period, we adhered to our limitation of risk tolerance and strengthened management of loan quality, maintaining effective control of the overall risks. We improved the risk classification management system for credit assets, carried out the daily monitoring of key industries, regions, customers and products and enhanced the risk pre-warning. We supervised our branches in making accurate classification and sufficient provisions; we mitigated the potential risk in a timely manner by strengthening our effort in guiding the control of non-performing loans in major branches to prevent regional risk; we clarified management responsibilities to strengthen risk mitigation in key areas and key customers; we actively adopted various measures to accelerate the disposal of non-performing loans.

At 30 June 2017, the balance of non-performing loans of the Bank was RMB228,431 million, representing a decrease of RMB2,403 million compared to the end of the previous year. The non-performing loan ratio decreased by 0.18 percentage point to 2.19% compared to the end of the previous year. The balance of special mention loans was RMB376,854 million, representing a decrease of RMB494 million compared to the end of the previous year. Special mention loans accounted for 3.62% of total loans, representing a decrease of 0.26 percentage point compared to the end of last year.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

	30 June 2017			31 December 2016		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	**188,196**	**82.4**	**3.09**	188,767	81.8	3.52
Short-term corporate loans	**143,878**	**63.0**	**5.96**	146,138	63.3	6.73
Medium- and long-term corporate loans	**44,318**	**19.4**	**1.20**	42,629	18.5	1.33
Discounted bills	**–**	**–**	**–**	1	–	–
Retail loans	**36,260**	**15.9**	**0.99**	37,980	16.4	1.14
Residential mortgage loans	**10,238**	**4.5**	**0.36**	11,014	4.8	0.43
Credit card balances	**6,922**	**3.1**	**2.55**	6,983	3.0	2.88
Personal consumption loans	**2,731**	**1.2**	**1.66**	3,119	1.4	2.04
Loans to private business	**9,204**	**4.0**	**5.22**	9,804	4.2	5.10
Loans to rural households	**7,079**	**3.1**	**3.36**	6,955	3.0	3.63
Others	**86**	**–**	**7.85**	105	–	8.58
Overseas and others	**3,975**	**1.7**	**0.93**	4,086	1.8	0.93
Total	**228,431**	**100.0**	**2.19**	230,834	100.0	2.37

At 30 June 2017, the balance of corporate non-performing loans was RMB188,196 million, representing a decrease of RMB571 million over the end of the previous year. The non-performing corporate loan ratio decreased by 0.43 percentage point over the end of the previous year to 3.09%. The balance of retail non-performing loans decreased by RMB1,720 million to RMB36,260 million over the end of the previous year, and the non-performing loan ratio decreased by 0.15 percentage point to 0.99% over the end of the previous year.

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

	30 June 2017			31 December 2016		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	**7**	**–**	**–**	7	–	–
Yangtze River Delta	**34,113**	**14.9**	**1.45**	35,471	15.4	1.63
Pearl River Delta	**26,288**	**11.5**	**1.67**	30,530	13.2	2.08
Bohai Rim	**49,856**	**21.8**	**3.03**	45,728	19.8	3.05
Central China	**28,686**	**12.6**	**1.96**	30,194	13.1	2.31
Northeast China	**9,681**	**4.2**	**2.31**	8,772	3.8	2.22
Western China	**75,825**	**33.2**	**3.25**	76,046	32.9	3.52
Overseas and others	**3,975**	**1.8**	**0.93**	4,086	1.8	0.93
Total	**228,431**	**100.0**	**2.19**	230,834	100.0	2.37

At 30 June 2017, the balance of non-performing loans increased most in Bohai Rim, by RMB4,128 million over the end of the previous year; the balance of non-performing loans decreased most in Pearl River Delta, by RMB4,242 million over the end of the previous year.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

	30 June 2017			31 December 2016		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	**78,879**	**41.8**	**5.99**	77,124	40.9	6.29
Production and supply of power, heat, gas and water	**3,652**	**1.9**	**0.48**	3,247	1.7	0.49
Real estate	**10,134**	**5.4**	**2.02**	11,086	5.9	2.47
Transportation, logistics and postal services	**3,807**	**2.0**	**0.33**	3,951	2.1	0.39
Wholesale and retail	**60,590**	**32.2**	**14.77**	63,140	33.4	15.62
Water, environment and public utilities management	**904**	**0.5**	**0.27**	810	0.4	0.34
Construction	**6,331**	**3.4**	**2.90**	6,004	3.2	3.31
Mining	**13,584**	**7.2**	**5.79**	13,275	7.0	5.77
Leasing and commercial services	**4,431**	**2.4**	**0.58**	3,783	2.0	0.68
Finance	**175**	**0.1**	**0.12**	177	0.1	0.10
Information transmission, software and IT service	**148**	**0.1**	**0.40**	140	0.1	0.59
Others	**5,561**	**3.0**	**2.58**	6,030	3.2	2.77
Total	**188,196**	**100.0**	**3.09**	188,767	100.0	3.52

At 30 June 2017, the balance of non-performing loans increased most in manufacturing industry, by RMB1,755 million; the balance of non-performing loans decreased most in wholesale and retail industry, by RMB2,550 million.

Changes to the Allowance for Impairment Losses on Loans

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
At 1 January 2017	133,605	266,670	400,275
Charge for the period	33,386	8,069	41,455
– Addition	44,289	68,798	113,087
– Reversal	(10,903)	(60,729)	(71,632)
Write-offs and transfer-out	(23,766)	(4,554)	(28,320)
Transfer-in			
– Recoveries of loans and advances written-off in previous years	1,868	1,056	2,924
– Unwinding of discount on allowance	(791)	(144)	(935)
– Exchange difference	(49)	(71)	(120)
At 30 June 2017	144,253	271,026	415,279

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.

In the first half of 2017, the Bank further refined the policy system for market risk management, promulgated annual strategies for treasury trading and investment as well as market risk management. We reinforced access restrictions, risk limits and investment maturity management. We enhanced derivative transaction management, and implemented measures to ensure performance protection of derivative transactions. During the reporting period, the yield rate was upward in the domestic bond market, and the default risks accumulated. As an active response, the Bank earnestly carried out risk identification, assessment, review, monitoring and reporting and appropriately controlled the size and duration of available-for-sale portfolio, keeping the exposure to proprietary transactions at a relatively low level. As a result, the overall market risk of the Bank was under control.

Market Risk Exposure Limit Management

Our market risk exposure limits are classified into directive limits and indicative limits based on different effects. In the first half of 2017, the Bank further enhanced market risk exposure limit management. The Bank set different market risk exposure limits based on the types of products and risks, refined the categorization of limits. The Bank also measured, monitored and reported risk exposure limit automatically through the systems. During the reporting period, the Bank's risk exposure limits were within the designated ranges.

Segregation of Trading Book and Banking Book

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

Market Risk Management for Trading Book

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

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

VaR Analysis for the Trading Book

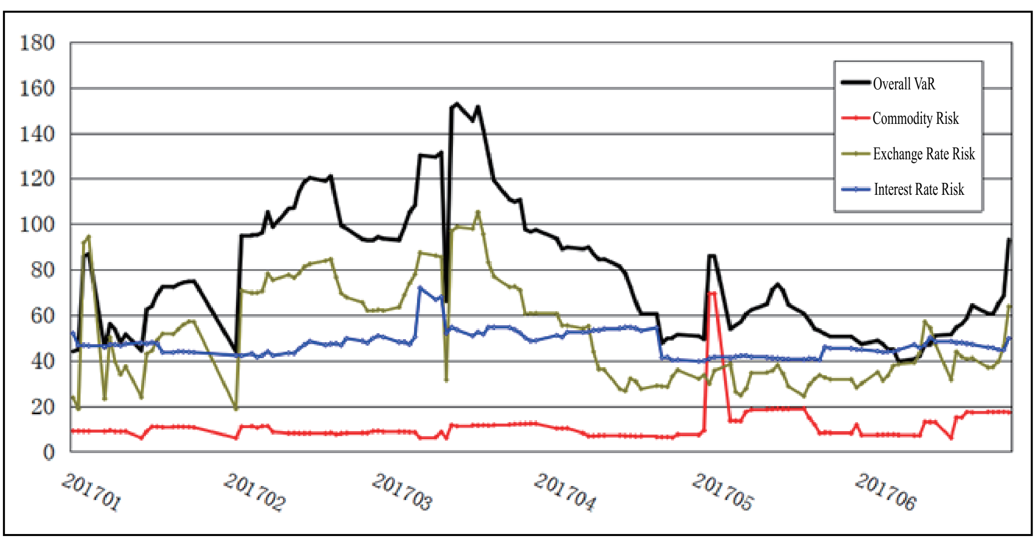
In millions of RMB

Item	**Six months ended 30 June 2017** At the end of the period	Average	Maximum	Minimum	Six months ended 30 June 2016 At the end of the period	Average	Maximum	Minimum
Interest rate risk	**50**	**47**	**72**	**40**	65	63	71	50
Exchange rate risk[1]	**64**	**52**	**105**	**19**	57	66	106	36
Commodity risk	**17**	**11**	**69**	**6**	20	12	20	3
Overall VaR	**93**	**79**	**153**	**40**	77	83	103	73

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 2017

In millions of RMB



During the reporting period, our size of bonds portfolio was decreased with duration structure shortened, resulting in a decrease in the VaR of interest rate risk over the corresponding period of the previous year. The fluctuation of USD exchange rate was relatively stable and the gold position was reduced, therefore the VaR of foreign exchange was decreased over the corresponding period of the previous year. Besides, the silver position domestically and abroad was reduced, which resulted in a slight decrease in the VaR of the commodity risk over the corresponding period of the previous year.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

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

In the first half of 2017, the Bank persistently advanced the construction of IT system for interest rate risk of the banking book and further enhanced the sophisticated measurement of interest rate risk from aspects such as dynamic simulation and customer behaviour modelling. Closely following changes of the external interest rates, we continuously intensified the pricing management for deposits and loans and made pricing more differentiated and sophisticated. We also appropriately controlled the size of high-cost debts to manage asset and liability structure that balanced quantity and price, and as a result, the overall interest rate risk was controlled within the aim of management.

Exchange Rate Risk Management

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

In the first half of 2017, the Bank performed exchange rate risk exposure monitoring and sensitivity analysis regularly and continuously refined exchange rate risk measurement and relevant IT systems. Through proper matching of foreign currency exposures, the Bank flexibly adjusted the trading exchange rate risk exposure, while maintaining the structural 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

At 30 June 2017, the accumulative negative gap with interest rate sensitivity due within one year amounted to RMB1,762,779 million, representing an increase of RMB375,629 million in absolute terms compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1-3 Months	3-12 Months	Sub-total of 1 year and below	1-5 years	Over 5 years	Non-interest earning
30 June 2017	(6,631,926)	658,745	4,210,402	(1,762,779)	927,108	2,002,093	(65,220)
31 December 2016	(3,577,103)	392,162	1,797,791	(1,387,150)	595,675	1,991,228	(137,593)

Note: Please refer to "Note 52.3 Financial Risk Management: Market Risk" to the Condensed Consolidated Interim Financial Statements for more details.

Interest Rate Sensitivity Analysis

In millions of RMB

Movements in basis points	**30 June 2017** Movements in net interest income	Movements in other comprehensive income	31 December 2016 Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	**(42,277)**	**(38,869)**	(24,271)	(40,354)
Decreased by 100 basis points	**42,277**	**38,869**	24,271	40,354

The interest rate sensitivity analysis above indicates the movements in net interest income and other comprehensive income for the next twelve months 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 adopted by the management to reduce interest rate risk.

Based on the composition of our assets and liabilities at 30 June 2017, if the interest rates instantaneously increase (or decrease) by 100 basis points, net interest income and other comprehensive income would decrease (or increase) by RMB42,277 million and RMB38,869 million, respectively.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In the first half of 2017, the mid-point rate of RMB against USD appreciated accumulatively by 1,626 basis points or 2.34%. At 30 June 2017, our foreign exchange positive exposure of on-and off- balance sheet was USD1,663 million, representing a decrease of USD7,274 million in absolute terms compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2017 RMB	USD equivalent	31 December 2016 RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	**(68,581)**	**(10,124)**	69,050	9,954
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	**79,849**	**11,787**	(7,052)	(1,017)

Notes: Please refer to "Note 52.3 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 2017	31 December 2016
USD	+5%	**(399)**	881
	-5%	**399**	(881)
HKD	+5%	**993**	863
	-5%	**(993)**	(863)

Non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the exchange rate exposure at the end of the reporting period, the profit before tax would decrease (or increase) by RMB399 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.

Liquidity Risk Management

The Bank closely monitored the trend of monetary policies, regulatory requirements and market changes, while strengthening its research and assessment on the macro-economic and financial environment as well as factors that affected liquidity. The Bank strictly adhered to its limitation of risk tolerance in securing its liquidity and upheld prudent liquidity management strategy. With the balanced relationship among security, liquidity and profitability, the security of liquidity was guaranteed. By securing the sources of core deposits, strengthening initiative debt management, refining the asset and liability structure, regulating cash flows due to be paid properly, ensuring efficient market financing channels and maintaining the sufficient reserve of assets with high liquidity, the Bank satisfied the various payment demands. The Bank improved the forecasting mechanism for transactions involving large sums of money, strengthened the real-time monitoring and adjusted fund positions to ensure reasonable buffers, while addressing market fluctuations effectively. The Bank also continued to refine the liquidity management IT system, to raise the effectiveness of monitoring, warning and control, and constantly enhance the sophisticated management.

Liquidity Risk Analysis

In the first half of 2017, amid financial deleveraging and risk prevention, the liquidity of the banking system faced challenges from tightened liquidity in the monetary market and more strict regulations. In this context, the PBOC upheld prudent and neutral monetary policies and adopted various measures, including Open Market Operations, Standing Lending Facility (SLF), Medium-term Lending Facility (MLF) and Pledged Supplementary Lending (PSL), to fine-tune and pre-emptively adjust market liquidity and intensify guidance of market expectation. Therefore, the market liquidity was kept in a balanced yet slightly tight status. Accordingly, the Bank continuously monitored monetary policies, changes in market liquidity. Being aware of the conditions of assets and liabilities as well as liquidity, the Bank adjusted its capital operation strategy dynamically and built up multi-level reserves for liquidity, in order to boost the capability of risk management and efficiency of capital operation. During the reporting period, the overall liquidity of the Bank was stable while the liquidity risk was secured and under control.

Liquidity Gap Analysis

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

In millions of RMB

	Past due	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
30 June 2017	44,586	(10,472,674)	419,904	(330,651)	(203,842)	2,785,219	6,137,510	2,721,150	1,101,202
31 December 2016	52,387	(9,355,146)	(62,220)	(510,004)	643,576	2,295,700	5,409,806	2,588,061	1,062,160

Note: Please refer to "Note 52.2 Financial Risk Management: Liquidity Risk" to the Condensed Consolidated Interim Financial Statements for more details.

The Bank assessed liquidity risk through liquidity gap analysis. We moderately extended durations of assets and therefore the positive gap over five years increased by RMB727,704 million compared to the end of the previous year.

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

Operational Risk Management

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, the Bank further refined the governance structure and responsibilities of departments for operational risk management to achieve the synergies between of operational risk management and internal control and compliance management, and reinforce the prevention, control and supervision of operational risk before, upon and after the occurrence thereof. The Bank thoroughly carried out the risk investigation relating to cases prevention and risks control, and conducted the specialized rectification on the problems discovered during regulatory inspections by the CBRC, to strengthen the management and control of operational risk in key areas. Moreover, the Bank exerted persistent efforts in optimizing operational risk management and measurement tools, including carrying out self-assessment on the risks related to business lines, improving key risk indicator systems, optimizing the economic capital measurement policies for operational risk and putting focused efforts on the measurement of cases of violations and anti-money laundering risks. In addition, the Bank conducted assessment on information technology risks, sped up the construction of the disaster recovery center, and enhanced the capabilities of managing information technology risks and ensuring business continuity.

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 derived from other risks.

During the reporting period, the Bank carried out in-depth implementation of the working guidelines for legal advisors issued by the CBRC, and became the first among domestic peers to set up the position of chief legal advisor. The Bank further strengthened its management on legal risk, and enhanced the legal review on the material decisions to procure its business operations to be carried out in compliance with laws and regulations. The Bank also revised the administrative measures for legal review, and formulated the annual working guidance for legal review to regulate legal review in all aspects. In addition, the Bank exerted increasing efforts on the "establishment, modification and abolishment" of rules to refine management of systems across the Bank. The Bank also enhanced contract management in terms of the whole process, and put continuous efforts in perfecting the texts of standard contracts and non-standard contracts, in order to enable contract to play a fundamental role in business expansion effectively. Moreover, the Bank steadily furthered the management on intellectual properties with a view to actively protecting the intellectual properties of the Bank. The Bank also enhanced litigation management, including streamlining the procedures for handling cases at the Head Office, adjusting and optimising the authorities of its branches for handling cases, appropriately handling events involving material risks, and actively collecting non-performing assets through litigations. The Bank timely identified potential risks in its business operations by analyzing the cases to which it was a defendant, thus striving to enhance the risk management and internal control over business lines.

Consolidated Risk Management

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

During the reporting period, The Bank instructed subsidiaries to establish and improve specialized risk management system matching the features of their businesses, and strengthened monitoring on the risk management of subsidiaries. We further standardized the risk reporting of subsidiaries by specifying the contents, frequency and route of reporting, in order to enhance its comprehensiveness, timeliness and accuracy. We also perpetuated risk monitoring and analysis with respect to subsidiaries, gave prompt alerts in relation to risks involving customers of the subsidiaries, and analyzed the risk conditions of the subsidiaries on quarterly basis.

Reputation Risk Management

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

The Bank incorporated reputation risk management into our corporate governance and comprehensive risk management system, continuously improved the mechanism, systems and rules for reputation risk management, and prevented reputation risk and responded to reputation events in a proactive and effective manner. In the first half of 2017, we formulated the Administrative Measures Regarding the Accountability for Prevention and Control of Risks from Public Opinions, which specified duties of the reputation risk management, so as to ensure the practical performance of relevant responsibilities. As such, collaboration was enhanced both vertically and horizontally and coordinated work of risk prevention and control was improved, taking the quality of reputation risk management to a higher level. We made emergency plan to control material reputation events, which optimized the prevention and control mechanism and enabled proactive and positive response to public opinions. We conducted inspection and self-inspection on reputation risks to identify potential reputation risks of our branches and business lines, and strengthened public opinion analysis, early warning and response ability of our branches and business lines. We increased our efforts in monitoring new media and specified reporting route and response procedures. Efforts were also made to collect public opinions more timely and deal with incidents that may affect our reputation in advance. We also increased our efforts in training press spokesperson, launched training programs on management of reputation risks and skills in dealing with media in the ABC University, and therefore effectively enhanced the trainees' capability to respond to public opinions.

Country Risk Management

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

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

In the first half of 2017, in response to the complicated and ever-changing international environment, we continued to strengthen the country risk management by refining the country risk management system and procedures and continuing to improve the country risk management mechanism. We closely monitored the changes in risk exposure, and tracked, monitored, reported country risk continuously and adjusted country risk limit and control measures in a timely manner. We effectively managed the country risk while steadily expanding businesses into the international market.

Internal Control

Construction of Internal Control

During the reporting period, aiming for preventing cases and controlling risks, we adopted a coordinated management model of "comprehensive risk investigation + specialized rectification + construction of long-term mechanism" and carried out the "Year to Strengthen Management Basics and Foundation-level Management" activity. We started several systematic projects, which would strengthen our management basics and foundation-level management with a long-term benefit, in order to solve prominent problems influencing the result of case prevention and control. We implemented dual accountabilities on institution and business line, and promoted management model of "Three Lines and One Grid", to enhance accountability and assessment on persons responsible for case prevention and control. We carried out the specialized rectification of non-compliance with regulations and conducted in-depth investigation relating to case prevention and risk control. Focusing on the major fields including deposit business, bill business, telecommunication and internet frauds, sale of customer information and illegal fund-raising, we tapped the root causes of violation of laws and regulations as well as various potential risks, so that rectification could be made systematically and thoroughly.

During the reporting period, we improved the sophisticated management of rules and regulations. Through promoting panel review on major rules and establishing contact stations at foundation-level branches, we strictly controlled the quantity and quality of our rules and regulations. We were active to build an integrated compliance culture system at home and abroad. We organized the activity of "Year of Compliance Management" for overseas institutions and business in 2017, to promote a regular and long effective compliance management overseas. We built a case risk monitoring system covering the whole Bank and optimized the risk monitoring models for various businesses, to improve our ability to monitor, warn and resolve risks.

Anti-money Laundering

We continuously promoted anti-money laundering ("AML"), anti-terrorism financing and other compliance governance affairs relating to risks incurred by international economic sanctions, and steadily improved the standardized, intensified and effective compliance management of AML. We set up an Anti-money Laundering Center at our Head office as an effort to improve our organization system for AML. We upgraded 41 business systems and brought them into operation, through which we strengthened management of reporting large-sum and suspicious transactions. We formulated the administrative measure for businesses involving sanctions, to regulate monitoring and management of the risks incurred by international economic sanctions. We continued to carry out risk investigations relating to sensitive countries and regions and major international regulatory incidents, and adopted strict management and control measures on risks. We implemented compliance acceptance before an overseas institution commenced its operation, and increased the weight of AML in the assessment of overseas institutions' performance.

Capital Management

During the reporting period, the Bank strictly implemented the Capital Plan for 2016-2018 prepared in accordance with the regulatory requirements in relation to the capital management under the *Capital Rules for Commercial Banks (Provisional)*. We also adhered to our established basic principle of capital management and the target of capital adequacy ratio management, and enhanced the management of capital constraint and capital returns. We also improved effectiveness of capital management mechanism to ensure that the capital adequacy ratio can continuously meet the requirements of covering risk exposure, creating value and complying with regulatory requirements. Moreover, the Bank implemented the advanced approach of capital management, and calculated the capital adequacy ratio by the advanced approach and other approaches during the parallel run period as required by the CBRC.

During the reporting period, we constantly refined the structure of on and off-balance sheet assets, further optimized the allocation of economic capital, focused on the strategic objectives of value creation and structural optimization and continuously raised the level of capital management. Based on the improvement of the economic capital allocation among branches, we progressively improved our economic capital management and control mechanism for business lines, strengthened capital constraints, and streamlined resource allocation.

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Changes in Share Capital of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2016		Increase/decrease during the reporting period (+, -)			30 June 2017	
	Number of Shares	Percentage[3] (%)	New Shares Issued	Others	Subtotal	Number of Shares	Percentage[3] (%)
I. Shares subject to restrictions on sales[1]	–	–	–	–	–	**–**	**–**
II. Shares not subject to restrictions on sales	324,794,117,000	100.00	–	–	–	**324,794,117,000**	**100.00**
1. RMB-dominated ordinary shares	294,055,293,904	90.54	–	–	–	**294,055,293,904**	**90.54**
2. Foreign-invested shares listed overseas[2]	30,738,823,096	9.46	–	–	–	**30,738,823,096**	**9.46**
III. Total number of shares	324,794,117,000	100.00	–	–	–	**324,794,117,000**	**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. "Foreign-invested shares listed overseas" refers to the H shares as defined in the No.5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings – Content and Format of the Report of Change in Shareholding (Revision 2007) of the CSRC.

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

Details of Issuance and Listing of Securities

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

Particulars of Shareholders of Ordinary Shares

Number of Shareholders and Particulars of Shareholding

As at 30 June 2017, the Bank had a total of 413,743 shareholders, including 25,536 holders of H Shares and 388,207 holders of A Shares.

Particulars of shareholding of the top 10 shareholders (the shareholding of holders of H Shares is based on the numbers of shares as set out in the register of members of the Bank maintained at its H Share registrar).

Unit: Share

Total number of shareholders **413,743** (as set out in the registers of shareholders of A Shares and H Shares as of 30 June 2017)

Particulars of shareholding of the top 10 shareholders (the data below are based on the registers of shareholders as of 30 June 2017)

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+, -)	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of shares subject to pledge or locked-up
Huijin	State-owned	A Shares	–	40.03	130,005,103,782	–	None
MOF	State-owned	A Shares	–	39.21	127,361,764,737	–	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	1,219,856,120	9.40	30,533,258,356	–	Unknown
SSF	State-owned	A Shares	–	3.02	9,797,058,826	–	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	-160,632,734	1.83	5,946,244,132	–	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A Shares	–	0.39	1,255,434,700	–	None
Wutongshu Investment Platform Co., Ltd.	State-owned legal entity	A Shares	–	0.30	980,723,700	–	None
China Shuangwei Investment Corporation Limited	State-owned legal entity	A Shares	–	0.23	746,268,000	–	None
China Railway Construction Investment Corporation Limited	State-owned legal entity	A Shares	–	0.23	742,974,000	–	None
China Life Insurance Company Limited – Dividend distribution – Individual dividend – 005L – FH002 Hu	Other	A Shares	461,638,556	0.21	682,452,545	–	None

Notes: 1. *All the shares held by HKSCC Nominees Limited represent the total number of H Shares held by it as a nominee on behalf of all institutional and individual investors registered with it as of 30 June 2017.*

2. *Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Apart from this, the Bank is not aware of any connections between the shareholders above or whether they are parties acting in concert.*

3. *The top 10 shareholders of ordinary shares of the Bank not subject to restrictions on sales are the same as the top 10 shareholders of ordinary shares of the Bank.*

Particulars of Substantial Shareholders

Changes 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 of 30 June 2017, the Bank received notifications from the following persons regarding their interests or short positions in the shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/nominee[1]	138,682,352,926 (A Shares)[2]	Long position	47.16%	42.70%
Huijin	Beneficial owner	131,260,538,482 (A Shares)[3]	Long position	44.64%	40.41%
Qatar Investment Authority	Interest of controlled entity	2,448,859,255 (H Shares)[4]	Long position	7.97%	0.75%
Qatar Holding LLC	Beneficial owner	2,408,696,255 (H Shares)[4]	Long position	7.84%	0.74%
QSMA1 LLC	Beneficial owner	40,163,000 (H Shares)[4]	Long position	0.13%	0.01%
BlackRock, Inc.	Interest of controlled entity	1,830,578,715 (H Shares)	Long position	5.96%	0.56%
	Custodian – corporation/approved lending agent	17,456,000 (H Shares)	Short position	0.06%	0.01%

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 of 30 June 2017, the MOF held 127,361,764,737 A Shares of the Bank, accounting for 43.31% and 39.21% of the issued A Shares and the total issued shares of the Bank, respectively.*

3. *According to the register of members of the Bank as of 30 June 2017, Huijin held 130,005,103,782 A Shares of the Bank, accounting for 44.21% and 40.03% of the issued A Shares and the total issued shares of the Bank, respectively.*

4. *Qatar Investment Authority is deemed to be interested in the aggregate of 2,448,859,255 H Shares held by Qatar Holding LLC and QSMA1 LLC, both of which are the wholly-owned subsidiaries of Qatar Investment Authority.*

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 of 30 June 2017, the Bank had 25 holders[1] of the preference shares "農行優1".

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

(the information below are based on the register of shareholders as of 30 June 2017)

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

Notes:

1. *The Bank is not aware of any connections between the above shareholders of preference shares, or between the above shareholders of preferences shares and the top 10 shareholders of ordinary shares, or whether they are parties acting in concert.*
2. *"Shareholding percentage" refers to the percentage of shares of "農行優1" held by the shareholders of preference shares in the total number of shares of "農行優1" (i.e., 400 million shares).*
3. *"Increase/decrease during the reporting period (+, -)" refers to the change of shareholding due to secondary market transactions.*

[1] *The number of the holders of preference shares is 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 the preference shares through two or more products under its control will be counted as one.*

As of 30 June 2017, the Bank had 28 holders of the preference shares “農行優2”.

<u>Particulars of shareholding of the top 10 shareholders of preference shares “農行優2” (Stock code: 360009)</u>

(the information below is based on the register of shareholders as of 30 June 2017)

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

Notes:

1. *China Shuangwei Investment Corporation Limited, China National Tobacco Corporation Jiangsu Province Company and China National Tobacco Corporation Yunnan Province Company are wholly-owned subsidiaries of China National Tobacco Corporation. China Life Insurance Company Limited – Dividend distribution – Individual dividend – 005L – FH002 Hu is managed by China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above shareholders of preference shares, or between the above shareholders of preferences shares and the top 10 shareholders of ordinary shares, or whether they are parties acting in connect.*
2. *“Shareholding percentage” refers to the percentage of “農行優2” shares held by the shareholders of preference shares in the total number of “農行優2” shares (i.e., 400 million shares).*
3. *“Increase/decrease during the reporting period (+, -)” refers to the change of shareholding due to secondary market transactions.*

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

Profit Distribution of Preference Shares

Dividends on the preference shares of the Bank will be 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 shall not be accumulated to subsequent dividend periods. The shareholders of preference shares of the Bank, upon receiving dividends at the agreed rate, shall not participate together with shareholders of ordinary shares of the Bank in the distribution of the remaining profit.

During the reporting period, the Bank paid cash dividends of RMB5.50 (tax inclusive) per share, or RMB2.2 billion (tax inclusive) in aggregate, on 13 March 2017 calculated at the coupon rate of 5.50%, to shareholders of "農行優2" (stock code: 360009) whose names appeared on the register of members at the close of business on 10 March 2017.

For details of the distribution of dividends above, please refer to the announcements of the Bank published on the website of the Shanghai Stock Exchange and the website of the Bank.

During the reporting period, the payment date of dividends of the preference shares of "農行優1" (stock code:360001) was not due.

Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of 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 Accounting Standard 32 – Financial Instruments: Presentation*, the Bank is of the view that the terms of the 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

Directors, Supervisors and Senior Management of the Bank

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

The Board of Directors of the Bank consisted of 11 members, including two Executive Directors, namely Mr. ZHOU Mubing and Mr. ZHAO Huan; five Non-executive Directors, namely Mr. ZHAO Chao, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong; and four Independent Non-executive Directors, namely Mr. WEN Tiejun[1], Mr. Francis YUEN Tin-fan, Ms. XIAO Xing and Mr. WANG Xinxin.

The Board of Supervisors of the Bank consisted of six members, including one Supervisor Representing Shareholders, namely Mr. WANG Xingchun; three Supervisors Representing Employees, namely Mr. XIA Taili, Mr. LIU Chengxu and Mr. XIA Zongyu; and two External Supervisors, namely Mr. LI Wang and Ms. LV Shuqin.

The Senior Management of the Bank consisted of seven members, namely Mr. ZHAO Huan, Mr. GONG Chao, Mr. WANG Wei, Ms. GUO Ningning, Mr. KANG Yi, Ms. ZHANG Keqiu and Mr. LI Zhicheng.

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[1] *The term of office of Mr. WEN Tiejun expired in June 2017. Mr. WEN Tiejun will continue to perform his duty as an Independent Non-executive Director before the CBRC ratifies the eligibility of the newly appointed Independent Non-executive Director to meet the requirement that the Independent Non-executive Directors shall represent at least one-third of the Board.*

As of 30 June 2017, except for Mr. ZHENG Xin, our former Supervisor, who held 375,000 A Shares of the Bank, none of the incumbent or former Directors, Supervisors or Senior Management held shares of the Bank. During the reporting period, none of the incumbent or former Directors, Supervisors or Senior Management held share options or were granted restricted shares of the Bank.

Departure of Directors, Supervisors and Senior Management

On 9 January 2017, Mr. ZHENG Xin resigned as a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors and a Supervisor Representing Employees of the Bank due to his age.

On 18 April 2017, Mr. LOU Wenlong resigned as an Executive Director and an Executive Vice President of the Bank due to work arrangement. Meanwhile, Mr. LU Jianping no longer served as an Independent Non-executive Director.[1]

On 6 June 2017, Mr. YUAN Changqing resigned as the Chairman of the Board of Supervisors of the Bank, the Chairman of each of the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors, and a Supervisor Representing Shareholders of the Bank due to work arrangements.

On 31 July 2017, Mr. ZHOU Ke ceased to be a Non-executive Director due to the expiration of his term of office.

1 *On 31 December 2015, the Board of Directors considered and approved the resignation of Mr. LU Jianping as an Independent Non-executive Director of the Bank. The number of Independent Non-executive Directors of the Bank became no less than one-third of the Board upon the resignation of Mr. LOU Wenlong. In accordance with relevant laws and regulations and the Articles of Associations of the Bank, Mr. LU Jianping's resignation took effect then.*

SIGNIFICANT EVENTS

Corporate Governance

During the reporting period, we strictly complied with applicable laws and regulations including the *Company Law of the People's Republic of China*, the *Commercial Banking Law of the People's Republic of China* and normative documents of the regulatory authorities. We continued the development of our corporate governance system and continuously enhanced operation level of corporate governance.

During the reporting period, we appointed a Non-executive Director, an Independent Non-executive Director and a Supervisor Representing Shareholders, and adjusted the composition of the Board of Directors and the Board of Supervisors and their committees. We made amendments to the Articles of Association pursuant to the latest domestic and foreign regulatory requirements[1]. We also formulated the working rules of the Risk Management Committee of Institutions in the United States Regions of the Board of Directors, and amended the working rules of the County Area Banking Business Development Committee of the Board of Directors.

Corporate Governance Code

Following the resignation of Mr. LU Jianping as an Independent Non-executive Director on 18 April 2017, the number of members of the Nomination and Remuneration Committee of the Board of Directors decreased to six, among which the number of Independent Non-executive Directors was reduced to three, which did not comply with Rule 3.25 of the Hong Kong Listing Rules and Code Provision A.5.1 of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Hong Kong Listing Rules which require a majority of the members to be independent non-executive directors. On 31 July 2017, Mr. ZHOU Ke ceased to be a Non-executive Director of the Bank due to the expiration of his term of office. Upon his departure, the number of members of the Nomination and Remuneration Committee decreased to five, among which the number of Independent Non-executive Directors was three, which complied with the above-mentioned requirement on the composition of such committee.

Save as disclosed above, the Bank complied with all the principles and code provisions of the CG Code set out in Appendix 14 to the Hong Kong Listing Rules and observed most of the proposed best practices during the reporting period.

Shareholders' General Meeting

On 28 June 2017, the Bank held the 2016 Annual General Meeting, at which eleven resolutions were considered and approved, including the 2016 work report of the Board of Directors, the 2016 work report of the Board of Supervisors, the final financial accounts for 2016, the profit distribution plan for 2016 and the amendments to the Articles of Association, and listened to three reports, including the 2016 work report of Independent Directors, the 2016 report on the implementation of the *Authorization Plan to the Board of Directors by the General Meeting of Shareholders* and the report on the management of connected transactions.

The 2016 Annual General Meeting of the Bank were convened and held in accordance with the laws, regulations and listing rules of Hong Kong and the PRC. The Directors, Supervisors and some members of the senior management of the Bank attended the meeting and discussed with shareholders about matters they concerned. The Bank published the announcement on the poll results and legal opinion on the above general meeting in a timely manner in accordance with regulatory requirements. The announcement on the poll results was published on the website of the Hong Kong Stock Exchange on 28 June 2017 and on the website of the Shanghai Stock Exchange as well as in the media designated by the Bank for information disclosure on 29 June 2017.

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1 *Which will become effective upon the approval by the CBRC.*

Internal Audit

During the reporting period, in accordance with the strategic decisions of the Board of Directors and the external regulatory requirements, we adopted a risk-oriented approach to conduct risk audit on key areas including credit business, financial management and internal control. We carried out specialized audit on anti-money laundering, overseas institutions, the Volcker Rule as well as reduction and exemption of principal and interest for non-performing loans, and conducted audit on economic responsibility of the senior management of the Bank. We also conducted supervision on the rectification of the problems identified by internal audit. We continued to promote the development and application of IT platforms for internal audit, and strengthened training of audit skills and basics of audit management, thereby effectively enhancing our supervision and service capability on audit, and promoting the implementation of strategic decisions and steady development of businesses of the Bank.

Profit and Dividend Distribution

As approved by the 2016 Annual General Meeting of the Bank, the Bank paid cash dividend to shareholders of ordinary shares whose names appeared on the Bank's registers of shareholders at the close of business on 12 July 2017. The cash dividend was RMB1.70 per ten ordinary shares (tax inclusive), with a total amount of RMB55,215 million (tax inclusive). The Bank does not propose to pay any interim dividend for 2017 and will not increase share capital by capitalizing its capital reserve.

Material Litigations and Arbitrations

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

As of 30 June 2017, the value of the claims of the pending litigations or arbitrations in which the Bank was involved as a defendant, a respondent, or a third person amounted to RMB8,104 million. The management of the Bank believes that we have fully accrued provision for potential losses arising from the aforesaid litigations or arbitrations, and they will not have any material adverse effect on our financial position or operating results.

Major Acquisitions, Disposals and Mergers

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

Related Party Transactions

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

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

During the reporting period, the Bank extended loans to related natural persons (as defined in the *Administrative Measures on Information Disclosure by Listed Companies* issued by the CSRC). Such loans were in compliance with our pricing policies and guarantees were provided for such loans. As of 30 June 2017, the total balance of such loans amounted to RMB2,890.8 thousand and the conditions for such loans were normal.

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

Use of Proceeds

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

Major Projects Invested with Non-raised Funds

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

Material Contracts and Performance

Material Custody, Contracts and Leases

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

Material Guarantees

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

Material Equity and Non-equity Investments

During the reporting period, the Bank did not make any material equity or non-equity investment.

Commitments

As at the end of the reporting period, there was no expired commitment that had not been duly fulfilled. Detailed information on the commitment that had been fulfilled during the reporting period is as follow:

Subject of Commitment	Commitment	Details of Commitment	Date of Commitment	Due Date of Commitment	Performance up to Date
SSF	Lock-up commitment	The purchased shares held by the SSF are subject to a lock-up period of five years commencing on the transaction completion date or three years commencing on the pricing date of our initial public offering, whichever is longer. Prior to the first anniversary following the expiration of the lock-up period, the SSF is allowed to transfer no more than 30% in aggregate of the purchased shares (including any split shares, bonus shares and rights shares attached thereto) and prior to the second anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 60% in aggregate of the purchased shares (including any split shares, bonus shares and rights shares attached thereto), provided that our initial public offering is completed within five years following the transaction completion date.	21 April 2010	21 April 2017	Fulfilled

Penalties

During the reporting period, neither the Bank nor any of its Directors, Supervisors, members of senior management and controlling shareholders was investigated by competent authorities, subject to coercive measures 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 environmental protection, safe production supervision, tax or other administrative authorities, or publicly denounced by any stock exchanges.

Integrity

There was no judicial decision 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, none of the Bank or its subsidiaries purchased, sold or redeemed any of the listed shares of the Bank.

Implementation of Employee Incentives Measures

During the reporting period, the Bank did not implement any share incentive scheme, employee share ownership scheme or other employee incentives.

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 of 30 June 2017, the Bank had not granted any right to acquire shares or debentures to any of its Directors or Supervisors, nor was any of such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to obtain benefits by means of acquiring shares or debentures of the Bank or any other corporations.

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

As of 30 June 2017, none of the incumbent Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance* of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *Securities and Futures Ordinance* of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the *Securities and Futures Ordinance* of Hong Kong), or which were required to be recorded in the register referred to in Section 352 of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to the section headed "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Interim Review

The 2017 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs were reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the PRC and International Standards on Review Engagements, respectively.

The 2017 interim results announcement of the Bank has been reviewed and approved by the Audit and Compliance Committee of the Board of Directors.

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 principle of "Customers First with Consistent Services", the Bank continuously improved customer experience with a focus on the key processes of customer service. The Bank also optimized its overall consumer rights protection mechanism by increasing the resource allocated thereto and establishing the institutions responsible therefor. The Bank further intensified and improved management of services at its outlets, so as to improve the quality and level of the services comprehensively and fulfil the social responsibility of the Bank in respect of inclusive finance. The Bank formulated the 2017 working plan on promotion and popularization of financial knowledge, and increased its efforts in promoting and popularizing financial knowledge, which helped to improve consumers' knowledge about financial products and financial services and enhance the financial literacy of the whole society. The Bank launched the specialized rectification action plan on customer information protection, further strengthening the security and protection of consumer information of the Bank. In May 2017, the Bank was elected as the director-level member of the Consumer Protection Committee of the China Banking Association.

Targeted Poverty Alleviation

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

APPENDIX I: CAPITAL ADEQUACY RATIO INFORMATION

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

I. Capital Adequacy Ratio Information

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

In January 2017, the CBRC formally approved the Bank's implementation of the Internal Model Approach (IMA) for market risks, setting unified benchmarks for non-retail portfolios in domestic and overseas branches, and removing the restriction that retail risk-weighted asset shall be no less than the level required under the weighting approach. The Bank further expanded the implementation of the advanced approaches of capital management.

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

As of 30 June 2017, 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 to measure credit risk-weighted assets uncovered by IRB approach. Internal Model Approach (IMA) was adopted for market risk-weighted assets. Standardized measurement approach was adopted to measure operational risk-weighted assets. The table below sets out the net capital, risk-weighted assets and capital adequacy ratios pursuant to the *Capital Rules for Commercial Banks (Provisional)* calculated by the Bank.

In millions of RMB, except for percentages

Item	30 June 2017 The Group	30 June 2017 The Bank	31 December 2016 The Group	31 December 2016 The Bank
CET 1 capital, net	**1,268,381**	**1,257,765**	1,231,030	1,221,815
Additional Tier 1 capital, net	**79,905**	**79,899**	79,904	79,899
Tier 1 capital, net	**1,348,286**	**1,337,664**	1,310,934	1,301,714
Tier 2 capital, net	**229,910**	**228,937**	235,566	236,568
Net capital	**1,578,196**	**1,566,601**	1,546,500	1,538,282
Risk-weighted assets	**11,988,609**	**11,901,775**	11,856,530	11,749,661
Credit risk-weighted assets	**10,988,069**	**10,910,743**	10,805,524	10,698,032
Portion covered by IRB	**8,101,055**	**8,101,055**	8,104,766	8,104,766
Portion uncovered by IRB	**2,887,014**	**2,809,688**	2,700,758	2,593,266
Market risk-weighted assets	**83,441**	**78,501**	133,907	139,098
Portion covered by IMA	**74,907**	**74,907**	–	–
Portion uncovered by IMA	**8,534**	**3,594**	133,907	139,098
Operational risk-weighted assets	**917,099**	**912,531**	917,099	912,531
Additional risk-weighted assets due to the capital floor requirement	**–**	**–**	–	–
CET 1 capital adequacy ratio	**10.58%**	**10.57%**	10.38%	10.40%
Tier 1 capital adequacy ratio	**11.25%**	**11.24%**	11.06%	11.08%
Capital adequacy ratio	**13.16%**	**13.16%**	13.04%	13.09%

As of 30 June 2017, the CET 1, Tier 1 and Total capital adequacy ratios calculated in accordance with advanced approaches slightly increased compared with 2016, mainly because the Bank forwardly pushed the optimization of the structure of on- and off-balance sheet business, sped up the development of business with light capital and high returns, while the net capital grew faster than risk-weighted assets.

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

Item	30 June 2017 The Group	30 June 2017 The Bank	31 December 2016 The Group	31 December 2016 The Bank
Core capital adequacy ratio	**9.82%**	**9.82%**	10.32%	10.34%
Capital adequacy ratio	**12.33%**	**12.33%**	13.13%	13.15%

IV. Risk Exposure

(I) Credit Risk

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

In millions of RMB

Item	**30 June 2017** Risk exposures	**30 June 2017** Risk-weighted assets	31 December 2016 Risk exposures	31 December 2016 Risk-weighted assets
Credit risk exposure covered by IRB[1]	**12,986,748**	**7,642,505**	12,250,692	7,345,667
Non-retail credit risk	**9,335,380**	**6,643,137**	8,929,590	6,416,820
Retail credit risk	**3,645,167**	**994,692**	3,309,064	921,417
Counterparty credit risk	**6,201**	**4,676**	12,038	7,430

Note: 1. Regulatory calibration is not included.

In millions of RMB

Item	**30 June 2017** Risk exposures	**30 June 2017** Risk-weighted assets	31 December 2016 Risk exposures	31 December 2016 Risk-weighted assets
Credit risk exposure uncovered by IRB	**9,571,202**	**2,887,014**	9,057,393	2,700,758
On-balance sheet credit risk	**8,549,699**	**2,145,002**	8,354,524	2,234,887
of which: asset securitization	**4,303**	**7,082**	1,925	9,682
Off-balance sheet credit risk	**998,839**	**728,500**	672,582	446,699
Counterparty credit risk	**22,664**	**13,512**	30,287	19,172

Please refer to "Discussion and Analysis – Risk Management" in 2017 Interim Results Announcement for details of overdue loans, non-performing loans and loan loss provisions.

(II) Market Risk

As of 30 June 2017, the Bank calculated the capital requirement of market risk according to the Internal Model Approach (IMA), of which uncovered portion measured by standardized approach. The capital requirements of all types of market risks are shown in the following table.

In millions of RMB

Item	**Capital requirements** **30 June 2017**	 31 December 2016
Portion covered by IMA	**5,993**	–
Portion covered by standardized approach	**682**	10,713
Interest rate risk	**682**	1,754
Equity risk	**–**	–
Foreign exchange risk	**–**	8,785
Commodity risk	**–**	174
Option risk	**–**	–
Total	**6,675**	10,713

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 2017, the Bank's VaR and stressed VaR under IMA of market risk are shown in the following table.

In millions of RMB

		30 June 2017		
Value at Risk	**Average**	**Highest**	**Lowest**	**Period end**
Value at risk (VaR)	761	1,062	502	967
Stressed value at risk (Stressed VaR)	1,431	1,968	979	1,075

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 2017	31 December 2016	Risk exposures of non-publicly traded equity[1] 30 June 2017	31 December 2016	Unrealized profit or loss on potential risk[2] 30 June 2017	31 December 2016
Financial institutions	**3,402**	1,541	**2,453**	3,933	**771**	283
Companies	**1,231**	1,133	**3,994**	7,006	**(138)**	2,126
Total	**4,633**	2,674	**6,447**	10,939	**633**	2,409

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

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

Please refer to "Discussion and Analysis – Risk Management" in 2017 Interim Results Announcement for details of interest rate risk of the Bank.

(III) Operational risk

As at 30 June 2017, the Bank's operational risk capital requirement measured by standardized approach was RMB73,368 million. Please refer to "Discussion and Analysis – Risk Management" in 2017 Interim Results Announcement for details of operational risk management.

V. Contrast between Regulatory Consolidation and Financial Statement

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 statement is shown in the table below.

In millions of RMB

Item	30 June 2017 Financial statement	30 June 2017 Regulatory Consolidation	31 December 2016 Financial statement	31 December 2016 Regulatory Consolidation	Code
Assets					
Cash and balances at central banks	**2,882,030**	**2,882,023**	2,811,653	2,811,625	A01
Deposits with banks and other financial institutions	**198,792**	**196,675**	622,665	619,654	A02
Placements with banks and other financial institutions	**387,844**	**387,844**	580,949	580,949	A03
Financial assets designated at fair value and changes included into the profits and losses for the period	**532,973**	**529,680**	417,955	417,146	A04
Derivative financial instruments	**15,452**	**15,452**	31,460	31,460	A05
Financial assets held under resale agreements	**596,304**	**595,506**	323,051	322,951	A06
Interest receivables	**117,677**	**116,858**	110,370	109,487	A07
Loans and advances to customers	**9,996,639**	**9,995,399**	9,319,364	9,318,095	A08
Available-for-sale financial assets	**1,362,623**	**1,320,262**	1,408,881	1,380,609	A09
Hold-to-maturity investments	**3,320,161**	**3,307,797**	2,882,152	2,869,711	A10
Accounts receivable investment	**672,991**	**657,575**	624,547	608,367	A11
Long term equity investment	**215**	**4,017**	213	4,015	A12
Fixed assets	**153,226**	**152,734**	158,669	158,164	A13
Land use rights	**22,195**	**22,195**	22,419	22,419	A14
Deferred tax assets	**95,975**	**95,975**	83,187	83,062	A15
Goodwill	**1,381**	**–**	1,381	–	A16
Intangible assets	**2,718**	**2,547**	2,847	2,677	A17
Other assets	**214,390**	**211,356**	168,298	151,266	A18
Total assets	**20,573,586**	**20,493,895**	19,570,061	19,491,657	A00
Liabilities					
Borrowings from central bank	**435,749**	**435,749**	291,052	291,052	L01
Deposits from banks and other financial institutions	**932,036**	**932,969**	1,156,044	1,158,482	L02
Placements from banks and other financial institutions	**295,469**	**295,469**	302,021	302,021	L03
Financial liabilities designated at fair value and changes included into the profits and losses for the period	**292,472**	**292,472**	301,170	301,170	L04
Financial assets sold under repurchase agreements	**121,537**	**115,379**	205,832	203,429	L05
Due to customers	**16,104,949**	**16,105,003**	15,038,001	15,038,059	L06
Derivative financial liabilities	**10,361**	**10,361**	20,758	20,758	L07
Debt securities issued	**439,986**	**439,986**	388,215	388,215	L08

Item	30 June 2017 Financial statement	Regulatory Consolidation	31 December 2016 Financial statement	Regulatory Consolidation	Code
Employee salary payables	**37,517**	**37,390**	39,902	39,675	L09
Taxes payables	**29,067**	**29,053**	21,578	21,591	L10
Interest payables	**218,217**	**218,257**	229,115	229,148	L11
Dividend payables	**55,215**	**55,215**	–	–	
Deferred tax liabilities	**51**	**51**	58	45	L12
Provisions	**13,953**	**13,953**	13,590	13,590	L13
Other liabilities	**228,566**	**156,141**	241,134	165,295	L14
Total liabilities	**19,215,145**	**19,137,448**	18,248,470	18,172,530	L00
Owner's equity					
Paid-in capital	**324,794**	**324,794**	324,794	324,794	E01
Other equity instruments	**79,899**	**79,899**	79,899	79,899	E02
Capital reserve	**98,773**	**98,773**	98,773	98,773	E03
Surplus reserve	**115,137**	**115,136**	115,136	115,135	E04
General reserve	**230,463**	**230,463**	198,305	198,305	E05
Undistributed profits	**515,102**	**515,202**	496,083	496,201	E06
Minority interests	**3,241**	**712**	3,398	638	E07
Other comprehensive income	**(8,968)**	**(8,532)**	5,203	5,382	E08
of which: Foreign currency translation reserve	**888**	**888**	1,625	1,625	E09
Total owner's equity	**1,358,441**	**1,356,447**	1,321,591	1,319,127	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 2017	31 December 2016	Code
CET 1 capital				
1	Paid-in capital	**324,794**	324,794	E01
2	Retained earnings	**860,801**	809,641	
2a	Surplus reserve	**115,136**	115,135	E04
2b	General reserve	**230,463**	198,305	E05
2c	Undistributed profits	**515,202**	496,201	E06
3	Accumulated other comprehensive income and disclosed reserve	**90,241**	104,155	
3a	Capital reserve	**98,773**	98,773	E03
3b	Others	**(8,532)**	5,382	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	**55**	93	
6	**CET 1 capital before regulatory adjustments**	**1,275,891**	1,238,683	
CET 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	**–**	–	
8	Goodwill (net of deferred tax liability)	**–**	–	A16
9	Other intangible assets other than land use rights (net of deferred tax liability)	**2,547**	2,677	A17
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**–**	–	
11	Cash-flow hedge reserve to the items not calculated at fair value	**–**	–	
12	Shortfall of provisions to expected losses on loans	**–**	–	
13	Securitization gain on sale	**–**	–	
14	Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	**–**	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**–**	–	
17	Reciprocal cross-holdings in common equity	**–**	–	
18	Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	

Item		30 June 2017	31 December 2016	Code
19	Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
20	Mortgage servicing rights	**–**	–	
21	Other deductible amount in the net differed tax asset that rely on future profitability of the bank	**–**	–	
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets that rely on the Bank's future profitability (amount exceeding the 15% of the CET 1 capital)	**–**	–	
23	of which: significant investments in the capital of financial institutions	**–**	–	
24	of which: mortgage servicing rights	**–**	–	
25	of which: deductible amount in other net deferred tax assets that rely on the Bank's future profitability	**–**	–	
26a	Investment in CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	**4,963**	4,976	
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**	**7,510**	7,653	
29	**CET 1 capital**	**1,268,381**	1,231,030	
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	**6**	5	
35	of which: instruments issued by subsidiaries subject to phase out	**–**	(1)	
36	**Additional Tier 1 capital before regulatory adjustments**	**79,905**	79,904	
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	**–**	–	

Item		**30 June 2017**	31 December 2016	**Code**
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
41c	Other items deductible from Additional Tier 1 capital	**–**	–	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	**–**	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**–**	–	
44	**Additional Tier 1 capital**	**79,905**	79,904	
45	**Tier 1 capital (CET 1 capital + Additional Tier 1 capital)**	**1,348,286**	1,310,934	
Tier 2 capital				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	**105,000**	120,000	
47	of which: Directly issued capital instruments subject to phase out from Tier 2	**75,000**	90,000	
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)	**14**	12	
49	of which: Portions not given recognition after the transition period	**–**	(1)	
50	Excess loan loss provisions	**127,496**	115,554	
51	**Tier 2 capital before regulatory adjustments**	**232,510**	235,566	

Item		30 June 2017	31 December 2016	Code
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	**2,600**	–	
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**	**2,600**	–	
58	**Tier 2 capital**	**229,910**	235,566	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	**1,578,196**	1,546,500	
60	**Total risk weighed assets**	**11,988,609**	11,856,530	
Capital adequacy ratios and reserve capital requirements				
61	CET 1 capital adequacy ratio	**10.58%**	10.38%	
62	Tier 1 capital adequacy ratio	**11.25%**	11.06%	
63	Capital adequacy ratio	**13.16%**	13.04%	
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)	**5.16%**	5.04%	
National minimum				
69	CET 1 minimum ratio	**5%**	5%	
70	Tier 1 minimum ratio	**6%**	6%	
71	Total capital minimum ratio	**8%**	8%	
Amounts not deducted from the thresholds for deduction				
72	Non-significant investments in the capital of other unconsolidated financial institutions	**74,215**	62,918	
73	Significant investments in the common stock of unconsolidated financial institutions	**685**	683	
74	Mortgage servicing rights (net of related tax liability)	**N/A**	N/A	
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	**95,924**	83,017	A15-L12

Item		**30 June 2017**	31 December 2016	Code
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	**30,579**	16,339	
77	The caps of provision eligible for inclusion in Tier 2 capital excess loan loss under the Weighting Approach	**35,705**	33,555	
78	Provisions for loan loss actually provided under the Internal Ratings-Based approach	**108,714**	127,724	
79	The caps of provision eligible for inclusion in Tier 2 capital excess loan loss under the Internal Ratings-Based Approach	**96,917**	99,215	
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	**75,000**	90,000	
85	Amount excluded from Tier 2 due to transitional arrangements	**50,000**	35,000	

VII. Main Features of Eligible Capital Instruments

As of 30 June 2017, the eligible capital instruments of the Bank included common stocks, preference shares and Tier 2 capital instrument. On 15 July 2010, A-shares of the Bank were listed on the Shanghai Stock Exchange, and H-shares of the Bank were listed on the Hong Kong Stock Exchange on 16 July 2010. In September 2014, the Bank was approved to conduct a private issue of no more than 800 million preference shares in China to raise no more than RMB80 billion with multiple issuances. As at 13 November 2014, the Bank completed the first issuance of 400 million preference shares, with RMB40 billion raised. In March 2015, the Bank completed the second issuance of 400 million preference shares, with RMB40 billion raised. All of the raised funds after deducting issue expenses are used to replenish Additional Tier 1 capital.

During the period from 2009 to 2012, the Bank issued in aggregate conventional subordinated bonds amounting to RMB150 billion in the PRC inter-bank bond market. Pursuant to the requirement of *Capital Rules for Commercial Banks (Provisional)*, since 2013, the amount of conventional subordinated bonds that can be included in regulatory capital shall be reduced year by year, and as of 30 June 2017, the aggregate amount that could be included in Tier 2 capital was RMB75 billion. As at 18 August 2014, with the approval from the CBRC and PBOC, the Bank successfully issued Tier 2 capital bonds amounting to RMB30 billion in Chinese inter-banks securities market, all of which were included into Tier 2 capital. The following table sets the main features of eligible capital instruments of the Bank.

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288	360001 and 360009	1428012
3	Governing laws	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Stocks on Shanghai Stock Exchange", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.
	Regulatory treatments				
4	of which: Application of Capital Rules for Commercial Banks (Provisional) transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Tier 2 capital
5	of which: Application of Capital Rules for Commercial Banks (Provisional) post-transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Tier 2 capital
6	of which: Eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Tier 2 capital bonds
8	Recognized in regulatory capital (in million of RMB, most recent reporting date)	294,055	30,739	79,899	30,000
9	Par value	RMB1	RMB1	RMB100	RMB100

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
10	Accounting classification	Equity	Equity	Equity	Liability
11	Original date of issuance	2010-07-15	2010-07-16	2014-10-31 and 2015-03-06	2014-08-18
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
13	of which: Original maturity dates	No maturity date	No maturity date	No maturity date	2024-08-18
14	Issuer call subject to prior regulatory approval	No	No	No	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount (in million of RMB)	–	–	–	2019-08-18, redemption amount 30,000
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 at an agreed fixed coupon rate during each dividend adjustment period.	Fixed
18	of which: coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	Coupon rate of the first dividend adjustment period of the first issuance of preference shares is 6%. Coupon rate of the first dividend adjustment period of the second issuance of preference shares is 5.5%.	5.8%
19	of which: Existence of a dividend stopper	No	No	Yes	No

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Tier 2 capital instruments
20	of which: Whether fully discretionary in cancellation of bonus or dividend	Full discretionary	Full discretionary	Full discretionary	Without discretionary
21	of which: Existence of step up or other incentive to redeem	No	No	No	No
22	of which: cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	Yes	No
24	of which: If convertible, specify conversion trigger(s)	–	–	(1) If the CET 1 capital adequacy rate of the Bank decreased to 5.125% (or below), the preference shares issued will be fully or partially transferred to ordinary shares of A share, in order to make the CET 1 capital adequacy rate resumed to above 5.125%. In case of partial transfer, all preference shares issued will be transferred in proportion on the same conditions.	–

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

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

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

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

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

APPENDIX II: LIQUIDITY COVERAGE RATIO INFORMATION

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

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks (Provisional)* issued by CBRC, it is required that the liquidity coverage ratio of commercial banks should reach 100% by the end of 2018. During the transition period, the liquidity coverage ratio should reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively. Eligible commercial banks were encouraged to fulfill the requirements in advance within the transition period. In addition, in accordance with the *Rules on Disclosure for Liquidity Coverage Ratio Information of Commercial Banks* issued by CBRC, commercial banks are required to disclose the liquidity coverage ratio information at the same frequency as issuing the financial report, and to disclose the simple arithmetic average of the liquidity coverage ratios for each day over the relevant quarter as well as the number of days used in calculating such average from the beginning of 2017.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks (Provisional)* and applicable calculation requirements. The average of daily liquidity coverage ratio of the Bank was 131.2% in the second quarter of 2017 and the number of days used in calculating such average was 91 days. The figure represented a decrease of 8.6 percentage points over the previous quarter. The decrease was mainly due to the rise in expected total cash outflows in the distressed scenario caused by surging non-operational deposits (all counterparties) with respect to unsecured wholesale funding. Our daily liquidity coverage ratio in the second quarter of 2017 reflected an upward-downward-upward spiral. In April, the daily liquidity coverage ratio increased slightly as compared to the previous month; in May, the daily liquidity coverage ratio declined as compared to the previous month under the effect of reduced cash inflows from secured lending (e.g. reverse repos and borrowed securities) and fully performing exposures; and in June, the daily liquidity coverage ratio increased as compared to the previous month as a result of the growth in high-quality liquid assets. The averages of the daily liquidity coverage ratio and individual line items over the second quarter in 2017 are as follows:

In ten thousands of RMB, except for percentages

Item		Total Unweighted Value	Total Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		433,882,516
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	970,137,358	89,159,469
3	*Stable deposits*	157,085,333	7,854,267
4	*Less Stable deposits*	813,052,025	81,305,202
5	Unsecured wholesale funding, of which:	609,324,151	243,338,253
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	182,989,124	44,472,703
7	*Non-operational deposits (all counterparties)*	423,236,952	195,767,475
8	*Unsecured debt*	3,098,075	3,098,075
9	Secured wholesale funding		3,028,425
10	Additional requirements, of which:	187,825,944	39,432,271
11	*Outflows related to derivative exposures and other collateral requirements*	25,343,943	25,343,943
12	*Outflows related to loss of funding on debt products*	555,414	555,414
13	*Credit and liquidity facilities*	161,926,587	13,532,914
14	Other contractual funding obligations	20,238,199	472,576
15	Other contingent funding obligations	91,912,507	39,616,246
16	TOTAL CASH OUTFLOWS		415,047,240
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	15,467,149	15,467,149
18	Inflows from fully performing exposures	75,610,841	42,553,481
19	Other cash inflows	26,387,568	26,387,568
20	TOTAL CASH INFLOWS	117,465,558	84,408,198
			Total Adjusted Value
21	TOTAL HQLA		433,882,516
22	TOTAL NET CASH OUTFLOWS		330,639,042
23	LIQUIDITY COVERAGE RATIO (%)		131.2%

APPENDIX III: LEVERAGE RATIO INFORMATION

At 30 June 2017, the Bank's leverage ratio, calculated in accordance with the Rules for the Administration of the Leverage Ratio of Commercial Banks (amended) by CBRC, was 6.07%, above the regulatory requirement.

In millions of RMB, except for percentages

Item	**30 June 2017**	**31 March 2017**	31 December 2016	30 September 2016
Tier 1 capital, net	**1,348,286**	**1,355,629**	1,310,934	1,304,269
Adjusted on-and off-balance sheet assets	**22,217,208**	**22,112,817**	20,902,972	20,294,518
Leverage ratio	**6.07%**	**6.13%**	6.27%	6.43%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	20,573,586
2	Adjustment for consolidation	(79,691)
3	Adjustment for clients' assets	–
4	Adjustments for derivatives	3,129
5	Adjustment for securities financing transactions	–
6	Adjustment for off-balance sheet items	1,727,694
7	Other adjustments	(7,510)
8	**Adjusted on-and off-balance sheet assets**	**22,217,208**

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	19,882,938
2	Less: deductions from Tier 1 capital	(7,510)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	19,875,428
4	Replacement cost of all derivatives (net of eligible margin)	7,606
5	Potential exposure of all derivatives	10,974
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	–
8	Less: derivative assets resulting from transactions with the central counterparty when providing clearance services to clients	–
9	Notional principal amount of written credit derivatives	–
10	Less: deductible amounts of written credit derivative assets	–
11	**Derivative assets**	18,580
12	Securities financing transaction assets for accounting purpose	595,506
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**	595,506
17	Off-balance sheet items	3,236,452
18	Less: Adjustments for conversion to credit equivalent amounts	(1,508,758)
19	**Adjusted off-balance sheet items**	1,727,694
20	Tier 1 capital, net	1,348,286
21	Adjusted on-and off-balance sheet assets	22,217,208
22	**Leverage ratio**	6.07%

AGRICULTURAL BANK OF CHINA LIMITED
(Incorporated in the People's Republic of China with Limited Liability)

Interim Financial Information (Unaudited)
For the six months ended 30 June 2017
(Prepared under International Financial Reporting Standards)

Report on Review of Interim Financial Information

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 1 to 102, 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 2017 and the related condensed consolidated interim income statement, condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2017

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Interest income	6	344,600	329,760
Interest expense	6	(133,277)	(130,803)
Net interest income	6	211,323	198,957
Fee and commission income	7	47,262	54,446
Fee and commission expense	7	(4,797)	(3,338)
Net fee and commission income	7	42,465	51,108
Net trading (loss)/gain	8	(1,370)	1,331
Net gain/(loss) on financial instruments designated at fair value through profit or loss	9	607	(1,262)
Net gain on investment securities		308	615
Other operating income	10	25,986	11,755
Operating income		279,319	262,504
Operating expenses	11	(101,414)	(94,309)
Impairment losses on assets	12	(44,697)	(36,735)
Operating profit		133,208	131,460
Share of result of associate		2	(3)
Profit before tax		133,210	131,457
Income tax expense	13	(24,540)	(26,406)
Profit for the period		108,670	105,051
Attributable to:			
Equity holders of the Bank		108,593	105,148
Non-controlling interests		77	(97)
		108,670	105,051
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
- Basic and diluted	15	0.33	0.32

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017 (Unaudited)	**2016 (Unaudited)**
Profit for the period	108,670	105,051
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	(18,101)	(4,043)
Income tax impact for fair value changes on available-for-sale financial assets	4,433	1,001
Foreign currency translation differences	(737)	323
Other comprehensive income, net of tax	(14,405)	(2,719)
Total comprehensive income for the period	94,265	102,332
Total comprehensive income attributable to:		
Equity holders of the Bank	94,422	102,618
Non-controlling interests	(157)	(286)
	94,265	102,332

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

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Assets			
Cash and balances with central banks	16	2,882,030	2,811,653
Deposits with banks and other financial institutions	17	198,792	622,665
Precious metals		105,297	59,105
Placements with and loans to banks and other financial institutions	18	387,844	580,949
Financial assets held for trading	19	160,936	123,618
Financial assets designated at fair value through profit or loss	20	372,037	294,337
Derivative financial assets	21	15,452	31,460
Financial assets held under resale agreements	22	596,304	323,051
Loans and advances to customers	23	9,996,639	9,319,364
Available-for-sale financial assets	24	1,362,623	1,408,881
Held-to-maturity investments	25	3,320,161	2,882,152
Debt instruments classified as receivables	26	672,991	624,547
Investment in associate	27	215	213
Property and equipment	28	153,226	158,669
Goodwill		1,381	1,381
Deferred tax assets	29	95,975	83,187
Other assets	30	251,683	244,829
Total assets		20,573,586	19,570,061
Liabilities			
Borrowings from central banks	31	435,749	291,052
Deposits from banks and other financial institutions	32	932,036	1,156,044
Placements from banks and other financial institutions	33	295,469	302,021
Financial liabilities held for trading	34	20,605	17,504
Financial liabilities designated at fair value through profit or loss	35	271,867	283,666
Derivative financial liabilities	21	10,361	20,758
Financial assets sold under repurchase agreements	36	121,537	205,832
Due to customers	37	16,104,949	15,038,001
Dividends payable	14	55,215	-
Debt securities issued	38	439,986	388,215
Deferred tax liabilities	29	51	58
Other liabilities	39	527,320	545,319
Total liabilities		19,215,145	18,248,470

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Equity			
Ordinary shares	40	324,794	324,794
Preference shares	41	79,899	79,899
Capital reserve	42	98,773	98,773
Investment revaluation reserve	43	(9,856)	3,578
Surplus reserve	44	115,137	115,136
General reserve	45	230,463	198,305
Retained earnings		515,102	496,083
Foreign currency translation reserve		888	1,625
Equity attributable to equity holders of the Bank		1,355,200	1,318,193
Non-controlling interests		3,241	3,398
Total equity		1,358,441	1,321,591
Total equity and liabilities		20,573,586	19,570,061

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 2017.

Zhou Mubing	Zhao Huan
Chairman	Vice Chairman

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes	Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2017 (Audited)		324,794	79,899	98,773	3,578	115,136	198,305	496,083	1,625	1,318,193	3,398	1,321,591
Profit for the period		-	-	-	-	-	-	108,593	-	108,593	77	108,670
Other comprehensive income		-	-	-	(13,434)	-	-	-	(737)	(14,171)	(234)	(14,405)
Total comprehensive income for the period		-	-	-	(13,434)	-	-	108,593	(737)	94,422	(157)	94,265
Appropriation to surplus reserve	44	-	-	-	-	1	-	(1)	-	-	-	-
Appropriation to general reserve	45	-	-	-	-	-	32,158	(32,158)	-	-	-	-
Dividends paid to ordinary equity holders	14	-	-	-	-	-	-	(55,215)	-	(55,215)	-	(55,215)
Dividends paid to preference shareholders	14	-	-	-	-	-	-	(2,200)	-	(2,200)	-	(2,200)
As at 30 June 2017 (Unaudited)		324,794	79,899	98,773	(9,856)	115,137	230,463	515,102	888	1,355,200	3,241	1,358,441

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2016
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes	Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2016 (Audited)		324,794	79,899	98,773	22,429	96,748	175,606	412,005	(163)	1,210,091	1,794	1,211,885
Profit for the period		-	-	-	-	-	-	105,148	-	105,148	(97)	105,051
Other comprehensive income		-	-	-	(2,853)	-	-	-	323	(2,530)	(189)	(2,719)
Total comprehensive income for the period		-	-	-	(2,853)	-	-	105,148	323	102,618	(286)	102,332
Capital contribution from equity holders		-	-	-	-	-	-	-	-	-	961	961
Appropriation to surplus reserve	44	-	-	-	-	63	-	(63)	-	-	-	-
Appropriation to general reserve	45	-	-	-	-	-	22,542	(22,542)	-	-	-	-
Dividends paid to ordinary equity holders	14	-	-	-	-	-	-	(54,176)	-	(54,176)	-	(54,176)
Dividends paid to preference shareholders	14	-	-	-	-	-	-	(2,200)	-	(2,200)	-	(2,200)
As at 30 June 2016 (Unaudited)		324,794	79,899	98,773	19,576	96,811	198,148	438,172	160	1,256,333	2,469	1,258,802
Profit for the period		-	-	-	-	-	-	78,793	-	78,793	216	79,009
Other comprehensive income		-	-	-	(15,998)	-	-	-	1,465	(14,533)	(128)	(14,661)
Total comprehensive income for the period		-	-	-	(15,998)	-	-	78,793	1,465	64,260	88	64,348
Capital contribution from equity holders		-	-	-	-	-	-	-	-	-	882	882
Appropriation to surplus reserve	44	-	-	-	-	18,325	-	(18,325)	-	-	-	-
Appropriation to general reserve	45	-	-	-	-	-	157	(157)	-	-	-	-
Dividends paid to preference shareholders	14	-	-	-	-	-	-	(2,400)	-	(2,400)	-	(2,400)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(41)	(41)
As at 31 December 2016 (Audited)		324,794	79,899	98,773	3,578	115,136	198,305	496,083	1,625	1,318,193	3,398	1,321,591

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 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017 (Unaudited)	**2016 (Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	133,210	131,457
Adjustments for:		
Amortization of intangible assets and other assets	1,390	1,369
Depreciation of property and equipment	7,716	8,077
Impairment losses on assets	44,697	36,735
Interest income arising from investment securities	(92,163)	(80,757)
Interest income arising from impaired loans and advances to customers	(935)	(1,114)
Interest expense on debt securities issued	6,402	5,975
Revaluation loss on financial instruments at fair value through profit or loss	2,666	817
Net gain on investment securities	(308)	(615)
Share of result of associate	(2)	3
Net gain on disposal of property, equipment and other assets	(232)	(93)
Net foreign exchange loss/(gain)	1,038	(8,406)
	103,479	93,448
Net change in operating assets and operating liabilities:		
Net decrease in balances with central banks, deposits with banks and other financial institutions	192,159	78,658
Net decrease/(increase) in placements with and loans to banks and other financial institutions	98,393	(38,944)
Net decrease in financial assets held under resale agreements	26,893	164,677
Net increase in loans and advances to customers	(737,517)	(509,992)
Net increase in borrowings from central banks	144,697	5,439
Net decrease in placements from banks and other financial institutions	(6,552)	(34,384)
Net increase in due to customers and deposits from banks and other financial institutions	842,940	900,491
Increase in other operating assets	(167,621)	(61,367)
Decrease in other operating liabilities	(125,925)	(14,393)
Cash from operations	370,946	583,633
Income tax paid	(28,073)	(48,864)
NET CASH FROM OPERATING ACTIVITIES	342,873	534,769

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2017 (Unaudited)	**2016 (Unaudited)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		834,459	624,695
Cash received from interest income arising from investment securities		87,598	72,111
Cash received from disposal of property, equipment and other assets		531	276
Cash paid for purchase of investment securities		(1,264,737)	(1,149,671)
Cash paid for purchase of property, equipment and other assets		(4,818)	(5,198)
NET CASH USED IN INVESTING ACTIVITIES		(346,967)	(457,787)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from debt securities issued		364,540	402,907
Capital contribution from non-controlling interests		-	961
Cash payments for transaction cost of debt securities issued		(1)	(6)
Repayments of debt securities issued		(308,165)	(442,084)
Cash payments for interest on debt securities issued		(6,117)	(6,059)
Dividends paid to preference shareholders		(2,200)	(2,200)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		48,057	(46,481)
NET INCREASE IN CASH AND CASH EQUIVALENTS		43,963	30,501
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		827,698	821,969
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,305)	4,323
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	46	870,356	856,793
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		234,563	239,013
Interest paid		(138,059)	(133,004)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

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

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 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 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

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 2016, which have been audited.

3.1 Amendments to the accounting standards effective in 2017 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following amendments to the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Amendments to the accounting standards effective in 2017 relevant to and adopted by the Group (Continued)

(1)	Amendments to IAS 12	Income Taxes
(2)	Amendments to IAS 7	Statement of Cash Flows
(3)	Amendments to IFRS 12	IASB Annual Improvements 2014 – 2016 cycle

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

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 28	(i) IASB Annual Improvements 2014 - 2016 cycle	1 January 2018
(2)	IFRS 15	(i) Revenue from Contracts with Customers	1 January 2018
(3)	Amendments to IFRS 4	(i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
(4)	Amendments to IAS 40	(i) Transfer of Investment Property	1 January 2018
(5)	Amendments to IFRS 2	(i) Share - based Payment	1 January 2018
(6)	IFRIC 22	(ii) Foreign Currency Transactions and Advance Consideration	1 January 2018
(7)	IFRS 9	(iii) Financial Instruments	1 January 2018
(8)	IFRS 16	(iv) Leases	1 January 2019
(9)	IFRIC 23	(v) Uncertainty over Income Tax Treatments	1 January 2019
(10)	IFRS 17	(vi) Insurance Contracts	1 January 2021
(11)	Amendments to IFRS 10 and IAS 28	(i) Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Standards and amendments relevent 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 (Continued)

(i) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) <u>IFRIC 22: Foreign Currency Transactions And Advance Consideration</u>

The IASB issued IFRIC 22 Foreign currency transactions and advance consideration, to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

(iii) <u>IFRS 9: Financial Instruments</u>

Descriptions of IFRS 9 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016. The Group is analyzing its business models, loans and other financial instruments' contract terms and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adoption of IFRS 9. Given the nature of the Group's operations, the implementation of IFRS 9 is expected to have an impact on the classification of financial instruments, the calculation, amount and timing of its allowances for impairment losses for financial assets as well as the nature and extent of financial instruments disclosure. Implementation of IFRS 9 will also have an impact on the budgeting and performance review and information technology systems. The Group is in the process of developing policies and systems with respect to the classification of financial instruments, hedge accounting, impairment losses in accordance with the requirements of IFRS 9.

(iv) <u>IFRS 16: Leases</u>

The standard will affect primarily the accounting for the Group's operating leases when the Group is the lessee. As at 30 June 2017, the Group has noncancellable operating lease commitments of RMB12,346 million (see Note 50 Contingent Liabilities and Commitments). The Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

(v) <u>IFRIC 23: Uncertainty Over Income Tax Treatments</u>

In June 2017 the IASB issued IFRIC 23 Uncertainty over income tax treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

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 (Continued)

(vi) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The Group has not completed its assessment of the impact of adopting IFRS 17 on the Group's operating results and financial position.

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

In accordance with the "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at 3% for taxable asset management activities undertaken after 1 January 2018.

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 2016.

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES

(1) The following are the principal subsidiaries of the Group as at 30 June 2017:

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB3,000,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,000	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB200,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB20,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB100,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR 20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB1,400,000,000	100.00	100.00	Banking

For the six months ended 30 June 2017, there were no changes in the proportion of equity interest or voting rights the Group held in its subsidiaries.

5 INVESTMENT IN SUBSIDIARIES (Continued)

(1) The following are the principal subsidiaries of the Group as at 30 June 2017 (Continued):

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

(ii) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance") and the Group recognized goodwill of RMB1,381 million as a result of this acquisition. As at 30 June 2017 and 31 December 2016, there was no objective evidence noted for any goodwill impairment.

(2) Structured entities

The Group also consolidated structured entities as disclosed in Note 49 Structured Entities.

(Amounts in millions of Renminbi, unless otherwise stated)

6 NET INTEREST INCOME

	Six months ended 30 June	
	2017	2016
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	131,581	135,880
Personal loans and advances	75,407	65,656
Discounted bills	5,542	6,323
Subtotal	212,530	207,859
Held-to-maturity investments	57,437	47,539
Available-for-sale financial assets	23,540	22,714
Balances with central banks	20,172	19,209
Debt instruments classified as receivables	11,186	10,504
Placements with and loans to banks and other financial institutions	7,191	6,227
Deposits with banks and other financial institutions	5,596	10,046
Financial assets held under resale agreements	4,839	4,247
Financial assets held for trading	1,955	1,274
Financial assets designated at fair value through profit or loss	154	141
Subtotal	344,600	329,760
Interest expense		
Due to customers	(104,112)	(105,839)
Deposits from banks and other financial institutions	(12,180)	(14,432)
Debt securities issued	(6,402)	(5,975)
Borrowings from central banks	(6,012)	(1,474)
Placements from banks and other financial institutions	(2,958)	(2,090)
Financial assets sold under repurchase agreements	(1,412)	(993)
Financial liabilities designated at fair value through profit or loss	(201)	-
Subtotal	(133,277)	(130,803)
Net interest income	211,323	198,957
Interest income accrued on impaired financial assets (included within interest income)	935	1,114

(Amounts in millions of Renminbi, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2017	2016
Fee and commission income		
Agency services	14,776	20,476
Bank card	10,897	9,829
Electronic banking services	6,596	5,377
Settlement and clearing services	6,163	9,052
Consultancy and advisory services	5,595	6,553
Custodian and other fiduciary	1,970	1,802
Credit commitment	1,151	1,273
Others	114	84
Subtotal	47,262	54,446
Fee and commission expense		
Bank card	(3,205)	(1,913)
Settlement and clearing services	(650)	(634)
Electronic banking services	(552)	(475)
Others	(390)	(316)
Subtotal	(4,797)	(3,338)
Net fee and commission income	42,465	51,108

8 NET TRADING (LOSS)/GAIN

		Six months ended 30 June	
		2017	2016
Net gain on precious metals	(1)	1,907	909
Net (loss)/gain on foreign exchange rate derivatives		(2,099)	826
Net loss on held-for-trading debt securities		(959)	(75)
Net loss on interest rate derivatives		(219)	(329)
Total		(1,370)	1,331

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

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

	Six months ended 30 June	
	2017	2016
Net gain on debt securities	15	37
Net loss on underlying assets and liabilities related to principal guaranteed wealth management products	(120)	(1,222)
Others	712	(77)
Total	607	(1,262)

(Amounts in millions of Renminbi, unless otherwise stated)

10 OTHER OPERATING INCOME

	Six months ended 30 June	
	2017	2016
Insurance premium	18,646	8,511
Net gain on foreign exchange	4,298	655
Government grant	1,741	1,582
Rental income	328	202
Gain on disposal of property and equipment	229	136
Others	744	669
Total	25,986	11,755

11 OPERATING EXPENSES

		Six months ended 30 June	
		2017	2016
Staff costs	(1)	53,478	52,126
Insurance benefits and claims		18,462	8,655
General operating and administrative expenses		15,881	16,622
Depreciation and amortization		9,106	9,446
Tax and surcharges	(2)	2,411	9,071
Provision for guarantees and commitments		(359)	(2,861)
Others		2,435	1,250
Total		101,414	94,309

(1) Staff costs

	Six months ended 30 June	
	2017	2016
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	35,263	33,028
Housing funds	4,058	4,405
Social insurance	2,577	2,555
Including: Medical insurance	2,325	2,289
Maternity insurance	166	159
Employment injury insurance	86	107
Labor union fees and staff education expenses	1,206	1,298
Others	3,288	3,324
Subtotal	46,392	44,610
Defined contribution benefits	7,572	7,763
Early retirement benefits	(486)	(247)
Total	53,478	52,126

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES (Continued)

(2) Business tax for the Group's Domestic Operations was generally calculated at 5% of taxable income, which was declared and paid to the local tax department by Domestic Operations prior to 1 May 2016. 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% - 7% of business tax and VAT for the Group's Domestic Operations.

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

12 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2017	**2016**
Loans and advances to customers	41,455	35,117
Held-to-maturity investments	2,105	805
Debt instruments classified as receivables	238	506
Placements with and loans to banks and other financial institutions	(1,178)	155
Others	2,077	152
Total	44,697	36,735

(Amounts in millions of Renminbi, unless otherwise stated)

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	**2016**
Current income tax		
- PRC Enterprise Income Tax	32,455	22,617
- Hong Kong Profits Tax	314	87
- Other jurisdictions	133	162
Subtotal	32,902	22,866
Deferred tax (Note 29)	(8,362)	3,540
Total	24,540	26,406

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 2017 and 30 June 2016 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

		Six months ended 30 June	
		2017	**2016**
Profit before tax		133,210	131,457
Tax calculated at applicable PRC statutory tax rate of 25%		33,303	32,864
Tax effect of income not taxable for tax purpose	(1)	(8,768)	(6,550)
Tax effect of items such as expenses not deductible for tax purpose		79	99
Effect of different tax rates in other jurisdictions		(74)	(7)
Income tax expense		24,540	26,406

(1) 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	
		2017	**2016**
Dividends on ordinary shares recognized as distribution during the period			
Cash dividend related to 2016	(1)	55,215	-
Cash dividend related to 2015	(2)	-	54,176
		55,215	54,176

No dividends on ordinary shares related to the period from 1 January 2017 to 30 June 2017 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2017.

		Six months ended 30 June	
		2017	**2016**
Dividends on preference shares declared and paid	(3)	2,200	2,200

(1) Distribution of final dividend for 2016

A cash dividend of RMB0.17 per ordinary share related to 2016, amounting to RMB55,215 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2016 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 28 June 2017.

The above dividend was recognized as dividends payable as at 30 June 2017 and was paid in July and August 2017.

(2) Distribution of final dividend for 2015

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

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

(3) Distribution of dividend on preference shares for 2017

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 13 January 2017 and distributed on 13 March 2017.

Distribution of dividend on preference shares for 2016

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

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 October 2016 and distributed on 7 November 2016.

(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	
	2017	**2016**
Earnings:		
Profit for the period attributable to equity holders of the Bank	108,593	105,148
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	106,393	102,948
Number of shares:		
Weighted average number of ordinary shares in issue (million)	324,794	324,794
Basic and diluted earnings per share (RMB yuan)	0.33	0.32

For the purpose of calculating basic earnings per share, cash dividends of RMB2,200 million of non-cumulative preference shares declared and distributed for the six months ended 30 June 2017 was deducted from the amounts attributable to ordinary shareholders of the Bank.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2017 and 30 June 2016, therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

16 CASH AND BALANCES WITH CENTRAL BANKS

		30 June 2017	**31 December 2016**
Cash		109,752	111,607
Mandatory reserve deposits with central banks	(1)	2,539,153	2,437,536
Surplus reserve deposits with central banks	(2)	61,782	111,753
Other deposits with central banks	(3)	171,343	150,757
Total		2,882,030	2,811,653

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

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 2017 issued by the People's Bank of China" (Yinbanfa [2017] No. 64), effective 27 March 2017, RMB mandatory reserve deposits with the PBOC are based on 14.5% of qualified RMB deposits (31 December 2016: 14.5%). For the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits are based on 16.5% of qualified RMB deposits (31 December 2016: 16.5%). For the overseas participating banks with eligible RMB deposits, RMB mandatory reserve deposits are based on 16.5% of qualified RMB deposits (31 December 2016: 16.5%). Foreign currency mandatory reserve deposits are based on 5% (31 December 2016: 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.

(Amounts in millions of Renminbi, unless otherwise stated)

16 CASH AND BALANCES WITH CENTRAL BANKS (Continued)

(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, and the interest rate for foreign exchange risk reserve is tentatively set at zero. The foreign exchange risk reserve is maintained with the PBOC in accordance with the related Notice issued by the PBOC on 31 August 2015, and is placed on a monthly basis at 20% of the total contract amount of customers driven forward sale of foreign exchange transactions in the previous month. Such foreign exchange risk reserve will be repayable after 12 months according to the Notice.

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2017	31 December 2016
Deposits with:		
Domestic banks	154,621	583,545
Other domestic financial institutions	14,711	6,471
Overseas banks	29,538	32,976
Gross amount	198,870	622,992
Allowance for impairment losses - collectively assessed	(78)	(327)
Deposits with Banks and other financial institutions, net	198,792	622,665

As at 30 June 2017, the carrying amount of deposits with banks and other financial institutions which were pledged as security was RMB10,566 million (31 December 2016: RMB6,526 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 2017	31 December 2016
Placements with and loans to:		
Domestic banks and other financial institutions	334,365	544,742
Overseas banks and other financial institutions	55,321	39,239
Gross amount	389,686	583,981
Allowance for impairment losses - collectively assessed	(1,842)	(3,032)
Placements with and loans to banks and other financial institutions, net	387,844	580,949

(Amounts in millions of Renminbi, unless otherwise stated)

19 FINANCIAL ASSETS HELD FOR TRADING

		30 June 2017	31 December 2016
Debt securities issued by:			
Governments		3,399	3,290
Public sector and quasi-governments		45,109	44,554
Financial institutions		46,799	46,944
Corporates		20,499	13,307
Subtotal		115,806	108,095
Precious metal contracts		45,130	15,523
Total		160,936	123,618
Analyzed as:			
Listed in Hong Kong		69	185
Listed outside Hong Kong	(1)	115,737	107,910
Unlisted		45,130	15,523
Total		160,936	123,618

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

20 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2017	31 December 2016
Debt securities issued by:			
Governments		20,079	17,610
Public sector and quasi-governments		61,888	55,230
Financial institutions		90,957	63,045
Corporates		41,283	35,358
Subtotal		214,207	171,243
Deposits with banks and other financial institutions		45,228	40,953
Placements with and loans to banks and other financial institutions		91,021	58,485
Others	(1)	21,581	23,656
Total		372,037	294,337
Analyzed as:			
Listed in Hong Kong		2,116	2,685
Listed outside Hong Kong	(2)	200,051	163,101
Unlisted		169,870	128,551
Total		372,037	294,337

(1) Others mainly include credit assets, equity instruments and fund investments.

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

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized on the condensed consolidated interim statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair 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 2017 and 31 December 2016, 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 2017		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,570,155	12,506	(9,041)
Currency options	138,935	296	(145)
Subtotal		12,802	(9,186)
Interest rate derivatives			
Interest rate swaps	182,932	702	(608)
Precious metal contracts and others	143,853	1,948	(567)
Total derivative financial assets and liabilities		15,452	(10,361)

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

	31 December 2016		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,382,401	25,139	(18,410)
Currency options	119,352	68	(1,353)
Subtotal		25,207	(19,763)
Interest rate derivatives			
Interest rate swaps	258,523	1,061	(604)
Precious metal contracts and others	94,506	5,192	(391)
Total derivative financial assets and liabilities		31,460	(20,758)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 30 June 2017 and 31 December 2016, the credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings - Based approach.

	30 June 2017	31 December 2016
Credit risk weighted amount for counterparty	18,188	26,601

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2017	31 December 2016
Analyzed by collateral type:		
Debt securities	514,529	303,120
Bills	81,775	19,931
Total	596,304	323,051

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

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	30 June 2017	31 December 2016
Corporate loans and advances		
Loans and advances	6,514,938	5,803,277
Discounted bills	212,057	569,948
Subtotal	6,726,995	6,373,225
Personal loans and advances	3,684,923	3,346,414
Gross loans and advances	10,411,918	9,719,639
Allowance for impairment losses		
Individually assessed	(144,253)	(133,605)
Collectively assessed	(271,026)	(266,670)
Total allowance for impairment losses	(415,279)	(400,275)
Loans and advances to customers, net	9,996,639	9,319,364

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

		Identified impaired loans and advances (2)				
	Loans and advances for which the allowance is collectively assessed (1)	For which the allowance is collectively assessed	For which the allowance is individually assessed	Subtotal	Total	Identified impaired gross loans and advances as a % of total gross loans and advances
30 June 2017						
Gross loans and advances	10,183,487	36,269	192,162	228,431	10,411,918	2.19
Allowance for impairment losses	(240,207)	(30,819)	(144,253)	(175,072)	(415,279)	
Loans and advances to customers, net	9,943,280	5,450	47,909	53,359	9,996,639	
31 December 2016						
Gross loans and advances	9,488,805	37,986	192,848	230,834	9,719,639	2.37
Allowance for impairment losses	(237,671)	(28,999)	(133,605)	(162,604)	(400,275)	
Loans and advances to customers, net	9,251,134	8,987	59,243	68,230	9,319,364	

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Six months ended 30 June 2017		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2017	133,605	266,670	400,275
Impairment allowance on loans charged	44,289	68,798	113,087
Reversal of impairment allowance	(10,903)	(60,729)	(71,632)
Net additions	33,386	8,069	41,455
Write-offs and transfer out	(23,766)	(4,554)	(28,320)
Recovery of loans and advances written off in previous years	1,868	1,056	2,924
Unwinding of discount on allowance	(791)	(144)	(935)
Exchange difference	(49)	(71)	(120)
30 June 2017	144,253	271,026	415,279

	Year ended 31 December 2016		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2016	133,900	269,343	403,243
Impairment allowance on loans charged	96,110	64,216	160,326
Reversal of impairment allowance	(21,941)	(59,457)	(81,398)
Net additions	74,169	4,759	78,928
Write-offs and transfer out	(73,949)	(8,797)	(82,746)
Recovery of loans and advances written off in previous years	925	1,421	2,346
Unwinding of discount on allowance	(1,730)	(479)	(2,209)
Exchange difference	290	423	713
31 December 2016	133,605	266,670	400,275

(Amounts in millions of Renminbi, unless otherwise stated)

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		30 June 2017	**31 December 2016**
Debt securities issued by:			
Governments		445,718	464,613
Public sector and quasi-governments		363,361	383,861
Financial institutions		342,094	353,335
Corporates		190,133	188,869
Subtotal		1,341,306	1,390,678
Fund investments	(1)	4,074	7,015
Equity instruments		6,961	5,370
Others	(1)	10,282	5,818
Total		1,362,623	1,408,881
Analyzed as:			
Debt securities			
Listed in Hong Kong		75,466	68,431
Listed outside Hong Kong	(2)	1,190,067	1,260,325
Unlisted		75,773	61,922
Equity instruments, fund investments			
Listed in Hong Kong		4,815	2,354
Listed outside Hong Kong		14,033	9,169
Unlisted	(3)	2,469	6,680
Total		1,362,623	1,408,881

(1) The Group's other available-for-sale financial assets primarily include assets management products invested by the Group. Fund investments and others are unconsolidated structured entities held by Group.

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

(3) As at 30 June 2017, unlisted equity instruments of the Group amounted to RMB296 million was measured at cost because their fair value cannot be reliably measured (31 December 2016: RMB321 million).

(Amounts in millions of Renminbi, unless otherwise stated)

25 HELD-TO-MATURITY INVESTMENTS

		30 June 2017	31 December 2016
Debt securities issued by:			
Governments		1,494,164	1,320,638
Public sector and quasi-governments		1,219,592	1,129,986
Financial institutions		451,169	263,950
Corporates		161,376	171,604
Gross amount		3,326,301	2,886,178
Allowance for impairment losses - Collectively assessed		(6,140)	(4,026)
Held-to-maturity investments, net		3,320,161	2,882,152
Analyzed as:			
Listed in Hong Kong		4,613	3,518
Listed outside Hong Kong	(1)	3,309,590	2,868,782
Unlisted		5,958	9,852
Total		3,320,161	2,882,152

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

26 DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

		30 June 2017	31 December 2016
Receivable from the MOF	(1)	272,023	272,023
Special government bond	(2)	93,300	93,300
Government bonds		155,788	120,618
Financial institution bonds		78,833	64,130
Public sector and quasi-governments bonds		29,998	29,997
Corporate bonds		19,633	20,983
Certificate treasury bonds and savings treasury bonds		3,262	2,990
Others	(3)	25,044	25,160
Gross amount		677,881	629,201
Allowance for impairment losses			
Individually assessed		(3,582)	(3,516)
Collectively assessed		(1,308)	(1,138)
Total allowance for impairment losses		(4,890)	(4,654)
Debt instruments classified as receivables, net		672,991	624,547
Analyzed as:			
Listed outside Hong Kong		293,782	260,266
Unlisted		379,209	364,281
Total		672,991	624,547

(Amounts in millions of Renminbi, unless otherwise stated)

26 DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES (Continued)

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

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

(3) Other debt instruments classified as receivables are primarily related to investments in unconsolidated structured entities held by the Group.

27 INVESTMENT IN ASSOCIATE

	30 June 2017	31 December 2016
Carrying amount	215	213

On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour I'Afrique, herein referred to as BSCA.Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA.Bank, and has the 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.

28 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2017	162,858	64,203	8,309	22,031	257,401
Additions	318	324	213	1,659	2,514
Transfers	4,335	117	-	(4,452)	-
Disposals	(296)	(1,098)	(27)	-	(1,421)
30 June 2017	167,215	63,546	8,495	19,238	258,494
Accumulated depreciation					
1 January 2017	(54,032)	(41,258)	(3,128)	-	(98,418)
Charge for the period	(3,786)	(3,711)	(219)	-	(7,716)
Eliminated on disposals	89	1,065	26	-	1,180
30 June 2017	(57,729)	(43,904)	(3,321)	-	(104,954)
Allowance for impairment losses					
1 January 2017	(296)	(8)	(2)	(8)	(314)
Impairment loss	-	-	-	-	-
Eliminated on disposals	-	-	-	-	-
30 June 2017	(296)	(8)	(2)	(8)	(314)
Carrying value					
30 June 2017	109,190	19,634	5,172	19,230	153,226
1 January 2017	108,530	22,937	5,179	22,023	158,669

(Amounts in millions of Renminbi, unless otherwise stated)

28 PROPERTY AND EQUIPMENT (Continued)

	Buildings	**Electronic equipment, furniture and fixtures**	**Motor vehicles**	**Construction in progress**	**Total**
Cost					
1 January 2016	155,284	62,547	4,586	20,833	243,250
Additions	1,691	6,973	3,843	8,310	20,817
Transfers	6,824	286	1	(7,111)	-
Disposals	(941)	(5,603)	(121)	(1)	(6,666)
31 December 2016	162,858	64,203	8,309	22,031	257,401
Accumulated depreciation					
1 January 2016	(46,618)	(37,278)	(2,858)	-	(86,754)
Charge for the year	(7,934)	(7,953)	(377)	-	(16,264)
Eliminated on disposals	520	3,973	107	-	4,600
31 December 2016	(54,032)	(41,258)	(3,128)	-	(98,418)
Allowance for impairment losses					
1 January 2016	(299)	(9)	(2)	(8)	(318)
Impairment loss	(1)	-	-	-	(1)
Eliminated on disposals	4	1	-	-	5
31 December 2016	(296)	(8)	(2)	(8)	(314)
Carrying value					
31 December 2016	108,530	22,937	5,179	22,023	158,669
1 January 2016	108,367	25,260	1,726	20,825	156,178

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 2017, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

(Amounts in millions of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION

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

	30 June 2017	31 December 2016
Deferred tax assets	95,975	83,187
Deferred tax liabilities	(51)	(58)
Net	95,924	83,129

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

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2017	75,931	6,818	1,331	3,398	(4,413)	64	83,129
Credit/(charge) to the consolidated income statement	8,172	(298)	(318)	91	712	3	8,362
Credit to other comprehensive income	-	-	-	-	4,433	-	4,433
30 June 2017	84,103	6,520	1,013	3,489	732	67	95,924

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2016	77,185	6,441	1,931	4,421	(8,607)	66	81,437
Credit/(charge) to the consolidated income statement	(1,254)	377	(600)	(1,023)	(2,190)	(2)	(4,692)
Credit to other comprehensive income	-	-	-	-	6,384	-	6,384
31 December 2016	75,931	6,818	1,331	3,398	(4,413)	64	83,129

(Amounts in millions of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION (Continued)

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

	30 June 2017		31 December 2016	
	Deductible/ (taxable) temporary difference	**Deferred tax assets/ (liabilities)**	**Deductible/ (taxable) temporary difference**	**Deferred tax assets/ (liabilities)**
Deferred tax assets				
Allowance for impairment losses	336,413	84,103	303,723	75,931
Fair value changes of financial instruments	26,323	6,581	24,340	6,085
Staff cost accrued but unpaid	26,081	6,520	27,270	6,818
Provision	13,953	3,489	13,590	3,398
Early retirement benefits	4,050	1,013	5,325	1,331
Others	530	131	359	88
Subtotal	407,350	101,837	374,607	93,651
Deferred tax liabilities				
Fair value changes of financial instruments	(23,395)	(5,849)	(41,992)	(10,498)
Others	(256)	(64)	(98)	(24)
Subtotal	(23,651)	(5,913)	(42,090)	(10,522)
Net	383,699	95,924	332,517	83,129

30 OTHER ASSETS

		30 June 2017	31 December 2016
Interest receivable		117,677	110,370
Accounts receivable and temporary payments	(1)	88,926	78,998
Land use rights	(2)	22,195	22,418
Premiums receivable and reinsurance assets		3,031	16,670
Investment property		2,883	3,213
Long-term deferred expenses		2,795	3,103
Intangible assets		2,718	2,848
Foreclosed assets		2,626	1,945
Value-added tax receivable		1,646	1,430
Others		7,186	3,834
Total		251,683	244,829

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

(2) According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2017, 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.

(Amounts in millions of Renminbi, unless otherwise stated)

31 BORROWINGS FROM CENTRAL BANKS

As at 30 June 2017, borrowings from central bank mainly include Medium-term Lending Facilities from PBOC amounting to RMB434,500 million (31 December 2016: RMB289,000 million).

32 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2017	31 December 2016
Deposits from:		
Domestic banks	100,499	178,354
Other domestic financial institutions	782,389	947,210
Overseas banks	11,056	5,220
Other overseas financial institutions	38,092	25,260
Total	932,036	1,156,044

33 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2017	31 December 2016
Placements from:		
Domestic banks and other financial institutions	104,935	123,108
Overseas banks and other financial institutions	190,534	178,913
Total	295,469	302,021

34 FINANCIAL LIABILITIES HELD FOR TRADING

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

35 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017	31 December 2016
Principal guaranteed wealth management products	265,071	283,666
Overseas debt securities	6,776	-
Credit-linked Notes	20	-
Total	271,867	283,666

The Group designates wealth management products issued with principal guaranteed by the Group as financial liabilities at fair value through profit or loss. The corresponding investments are designated as financial assets at fair value through profit or loss. As at 30 June 2017 and 31 December 2016, 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 2017 and the year ended 31 December 2016, 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.

(Amounts in millions of Renminbi, unless otherwise stated)

36 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2017	31 December 2016
Analyzed by type of collateral:		
Debt securities	121,514	205,022
Bills	23	810
Total	121,537	205,832

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

37 DUE TO CUSTOMERS

		30 June 2017	31 December 2016
Demand deposits			
Corporate customers		4,363,107	3,902,828
Individual customers		4,716,138	4,536,249
Time deposits			
Corporate customers		1,977,030	1,778,060
Individual customers		4,493,894	4,286,428
Pledged deposits	(1)	374,848	338,065
Others		179,932	196,371
Total		16,104,949	15,038,001

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

	30 June 2017	31 December 2016
Guarantee and letters of guarantee	106,429	100,896
Trade finance	101,875	75,375
Bank acceptance	69,690	86,167
Letters of credit	40,975	30,118
Others	55,879	45,509
Total	374,848	338,065

(Amounts in millions of Renminbi, unless otherwise stated)

38 DEBT SECURITIES ISSUED

		30 June 2017	31 December 2016
Bonds issued	(1)	193,964	202,107
Certificates of deposit issued	(2)	195,773	147,245
Commercial papers issued	(3)	40,158	28,711
Interbank certificates of deposit issued	(4)	10,091	10,152
Total		439,986	388,215

As at 30 June 2017 and 31 December 2016, 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 2017	31 December 2016
4.15% RMB fixed rate Green Bonds maturing in October 2017	(i)	600	600
2.125% USD fixed rate Green Bonds maturing in October 2018	(ii)	2,710	2,775
4.0% subordinated fixed rate bonds maturing in May 2024	(iii)	25,000	25,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(iv)	30,000	30,000
2.75% USD fixed rate Green Bonds maturing in October 2020	(v)	3,387	3,468
5.3% subordinated fixed rate bonds maturing in June 2026	(vi)	50,000	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(vii)	50,000	50,000
Medium term notes issued	(viii)	32,320	40,383
Total nominal value		194,017	202,226
Less: Unamortized issuance cost and discounts		(53)	(119)
Carrying value		193,964	202,107

38 DEBT SECURITIES ISSUED (Continued)

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

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

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

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

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

38 DEBT SECURITIES ISSUED (Continued)

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

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

	As at 30 June 2017		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate USD MTNs	October 2017 to June 2021	1.875-2.875	19,586
Fixed rate RMB MTNs	August 2017 to August 2019	3.40-3.80	3,250
Floating rate USD MTNs	May 2018 to September 2019	3-month USD LIBOR plus 0.75 to 0.91	9,484
Total			32,320

	As at 31 December 2016		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate USD MTNs	October 2017 to June 2021	1.875-2.875	26,769
Fixed rate RMB MTNs	May 2017 to August 2019	3.35-3.80	3,350
Floating rate USD MTNs	March 2017 to September 2019	3-month USD LIBOR plus 0.75 to 1.33	9,781
Fixed rate EUR MTNs	March 2017	0.48	365
Zero coupon USD MTN	Februray 2017	-	118
Total			40,383

(2) As at 30 June 2017, 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 one month to seven years, with interest rates ranging from 0% to 5.06%. As at 31 December 2016, the terms of the certificates of deposit ranged from one month to seven years, with interest rates ranging from 0% to 5.8%.

(3) As at 30 June 2017, 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 one month to three years, with interest rates ranging from 0% to 6.5%. As at 31 December 2016, the terms of the commercial papers ranged from one month to two years, with interest rates ranging from 0.03% to 6.4%

(4) As at 30 June 2017, the interbank certificate of deposit were issued by the Bank's Head Office. The term of the interbank certificate of deposit ranged from one to three months, with interest rates ranging from 4.2% to 4.9%. As at 31 December 2016, the terms of the interbank certificates of deposit ranged from one month to two years, with interest rates ranging from 2.68% to 4.39%.

(Amounts in millions of Renminbi, unless otherwise stated)

39 OTHER LIABILITIES

		30 June 2017	31 December 2016
Interest payable		218,217	229,115
Clearing and settlement		91,510	87,993
Insurance liabilities		72,466	75,728
Staff costs payable	(1)	37,517	39,902
Amount payable to the MOF	(2)	27,158	26,293
Income taxes payable		21,185	16,356
Provision		13,953	13,590
VAT and other taxes payable		7,882	5,222
Dormant accounts		1,815	1,782
Others		35,617	49,338
Total		527,320	545,319

(1) Staff costs payable

		30 June 2017	31 December 2016
Short-term employee benefits	(i)	32,622	33,956
Defined contribution benefits	(ii)	845	621
Early retirement benefits	(iii)	4,050	5,325
Total		37,517	39,902

(i) Short-term employee benefits

		Six months ended 30 June 2017			
		1 January	Accrued	Paid	30 June
Salaries, bonuses, allowance and subsidies	(a)	25,524	35,263	(37,721)	23,066
Housing funds	(a)	155	4,058	(3,866)	347
Social insurance Including:	(a)	176	2,577	(2,518)	235
Medical insurance		156	2,325	(2,264)	217
Maternity insurance		16	166	(171)	11
Employment injury insurance		4	86	(83)	7
Labor union fees and staff education expenses		4,418	1,206	(645)	4,979
Others		3,683	3,288	(2,976)	3,995
Total		33,956	46,392	(47,726)	32,622

		2016			
		1 January	Accrued	Paid	31 December
Salaries, bonuses, allowance and subsidies	(a)	23,773	70,770	(69,019)	25,524
Housing funds	(a)	178	8,638	(8,661)	155
Social insurance Including:	(a)	124	5,016	(4,964)	176
Medical insurance		107	4,524	(4,475)	156
Maternity insurance		9	312	(305)	16
Employment injury insurance		8	180	(184)	4
Labor union fees and staff education expenses		3,981	2,625	(2,188)	4,418
Others		3,665	9,424	(9,406)	3,683
Total		31,721	96,473	(94,238)	33,956

(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)

39 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

	Six months ended 30 June 2017			
	1 January	**Accrued**	**Paid**	**30 June**
Basic pensions	456	5,703	(5,512)	647
Unemployment insurance	35	211	(193)	53
Annuity Scheme	130	1,658	(1,643)	145
Total	621	7,572	(7,348)	845

	2016			
	1 January	**Accrued**	**Paid**	**31 December**
Basic pensions	396	11,332	(11,272)	456
Unemployment insurance	44	545	(554)	35
Annuity Scheme	5	3,427	(3,302)	130
Total	445	15,304	(15,128)	621

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 2017			
	1 January	**Reversed**	**Paid**	**30 June**
Early retirement benefits	5,325	(486)	(789)	4,050

	2016			
	1 January	**Reversed**	**Paid**	**31 December**
Early retirement benefits	7,724	(241)	(2,158)	5,325

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

	30 June 2017	**31 December 2016**
Discount rate	3.57%	3.05%
Annual average medical expense growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
- Male	60	60
- Female	55	55

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

39 OTHER LIABILITIES (Continued)

(2) Amount payable to the MOF

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

40 ORDINARY SHARES

For the six months ended 30 June 2017 and the year ended 31 December 2016, there was no change in the Bank's ordinary share capital.

	As at 30 June 2017 and 31 December 2016	
	Number of shares (millions)	Nominal value
Registered, issued and fully paid:		
A shares of RMB1 each	294,055	294,055
H shares of RMB1 each	30,739	30,739
Total	324,794	324,794

A 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.

As at 30 June 2017 and 31 December 2016, all of the Bank's A Shares and H Shares were not subject to lock-up restriction.

41 PREFERENCE SHARES

Financial instruments in issue	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
Preference shares – first tranche	6% per annum for the first five years after issuance, and re-priced every 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 five 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

41 PREFERENCE SHARES (Continued)

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 2017. The first tranche of preference shares bears a dividend rate of 6% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be repriced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%.

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 2017. The second tranche of preference shares bears a dividend rate of 5.5% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%.

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

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary 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.

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, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB2.43 yuan per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders.

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

(Amounts in millions of Renminbi, unless otherwise stated)

42 CAPITAL RESERVE

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

43 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2017		
	Gross amount	Tax effect	Net effect
1 January 2017	4,775	(1,197)	3,578
Fair value changes on available-for-sale financial assets:			
- Amount of losses recognized directly in other comprehensive income	(17,833)	4,466	(13,367)
- Amount removed from other comprehensive income and recognized in profit or loss	(89)	22	(67)
30 June 2017	(13,147)	3,291	(9,856)

	2016		
	Gross amount	Tax effect	Net effect
1 January 2016	29,907	(7,478)	22,429
Fair value changes on available-for-sale financial assets:			
- Amount of losses recognized directly in other comprehensive income	(24,570)	6,140	(18,430)
- Amount removed from other comprehensive income and recognized in profit or loss	(562)	141	(421)
31 December 2016	4,775	(1,197)	3,578

44 SURPLUS RESERVE

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

45 GENERAL RESERVE

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

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

For the six months ended 30 June 2017, the Group transferred RMB32,158 million (Six months ended 30 June 2016: RMB22,542 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB31,947 million (Six months ended 30 June 2016: RMB22,464 million) related to the appropriation proposed for the year ended 31 December 2016 which was approved in the annual general meeting held on 28 June 2017.

46 CASH AND CASH EQUIVALENTS

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

	30 June 2017	30 June 2016
Cash	109,752	105,340
Balance with central banks	65,985	44,010
Deposits with banks and other financial institutions	57,483	166,994
Placements with and loans to banks and other financial institutions	76,110	59,509
Financial assets held under resale agreements	561,026	480,940
Total	870,356	856,793

47 OPERATING SEGMENTS

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

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

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

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

Geographical operating segments

The details of the geographical operating segments are as follows:

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

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the six months ended 30 June 2017	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
External interest income	130,784	48,746	32,283	32,833	30,799	49,569	8,500	11,086	-	344,600
External interest expense	(16,462)	(27,677)	(15,454)	(21,971)	(18,401)	(20,612)	(6,470)	(6,230)	-	(133,277)
Inter-segment interest (expense)/income	(98,289)	20,325	11,996	22,378	19,159	18,333	6,459	(361)	-	-
Net interest income	16,033	41,394	28,825	33,240	31,557	47,290	8,489	4,495	-	211,323
Fee and commission income	9,838	9,294	6,835	5,990	5,684	7,724	1,664	233	-	47,262
Fee and commission expense	(453)	(942)	(790)	(749)	(684)	(978)	(163)	(38)	-	(4,797)
Net fee and commission income	9,385	8,352	6,045	5,241	5,000	6,746	1,501	195	-	42,465
Net trading gain/(loss)	206	(75)	10	(1)	(17)	25	44	(1,562)	-	(1,370)
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(38)	(13)	24	-	(1)	6	-	629	-	607
Net (loss)/gain on investment securities	(96)	-	-	48	-	-	-	356	-	308
Other operating income	1,321	545	447	215	202	1,930	34	21,292	-	25,986
Operating income	26,811	50,203	35,351	38,743	36,741	55,997	10,068	25,405	-	279,319
Operating expenses	(4,370)	(14,220)	(9,920)	(12,577)	(13,613)	(20,012)	(5,861)	(20,841)	-	(101,414)
Impairment losses on assets	(217)	1,481	(4,789)	(20,092)	(6,228)	(12,400)	(2,231)	(221)	-	(44,697)
Operating profit	22,224	37,464	20,642	6,074	16,900	23,585	1,976	4,343	-	133,208
Share of result of associate	2	-	-	-	-	-	-	-	-	2
Profit before tax	22,226	37,464	20,642	6,074	16,900	23,585	1,976	4,343	-	133,210
Income tax expense										(24,540)
Profit for the period										108,670
Depreciation and amortization included in operating expenses	818	1,441	1,022	1,426	1,565	2,062	616	156	-	9,106
Capital expenditure	262	262	535	203	428	572	116	1,254	-	3,632
As at 30 June 2017										
Segment assets	4,406,797	4,416,453	2,731,271	3,543,444	3,054,324	4,229,922	956,029	911,266	(3,771,895)	20,477,611
Including: Investment in associate	215	-	-	-	-	-	-	-	-	215
Unallocated assets										95,975
Total assets										20,573,586
Include: non-current assets (1)	12,241	32,588	17,498	29,036	27,742	41,279	11,663	11,709	-	183,756
Segment liabilities	(3,092,390)	(4,433,305)	(2,738,401)	(3,574,385)	(3,062,181)	(4,258,496)	(960,649)	(845,997)	3,771,895	(19,193,909)
Unallocated liabilities										(21,236)
Total liabilities										(19,215,145)
Credit commitments	35,275	496,772	200,344	353,662	204,356	283,866	53,923	108,117	-	1,736,315

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the six months ended 30 June 2016	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
External interest income	123,114	48,627	30,358	33,626	28,046	48,860	8,584	8,545	-	329,760
External interest expense	(9,829)	(29,002)	(15,695)	(23,504)	(19,211)	(22,042)	(6,583)	(4,937)	-	(130,803)
Inter-segment interest (expense)/income	(103,528)	22,777	14,288	23,770	19,398	17,737	5,792	(234)	-	-
Net interest income	9,757	42,402	28,951	33,892	28,233	44,555	7,793	3,374	-	198,957
Fee and commission income	8,660	10,507	8,901	7,250	6,585	10,103	2,274	166	-	54,446
Fee and commission expense	(445)	(707)	(568)	(418)	(413)	(625)	(114)	(48)	-	(3,338)
Net fee and commission income	8,215	9,800	8,333	6,832	6,172	9,478	2,160	118	-	51,108
Net trading gain/(loss)	1,854	41	40	29	26	43	3	(705)	-	1,331
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(1,215)	62	(22)	(3)	-	(2)	-	(82)	-	(1,262)
Net gain on investment securities	23	-	-	-	-	-	-	592	-	615
Other operating (expense)/income	(221)	561	309	185	158	1,874	66	8,823	-	11,755
Operating income	18,413	52,866	37,611	40,935	34,589	55,948	10,022	12,120	-	262,504
Operating expenses	(3,210)	(15,110)	(10,963)	(12,662)	(14,478)	(20,604)	(6,056)	(11,226)	-	(94,309)
Impairment losses on assets	(1,773)	(11,373)	(4,417)	(7,570)	(322)	(9,866)	(1,327)	(87)	-	(36,735)
Operating profit	13,430	26,383	22,231	20,703	19,789	25,478	2,639	807	-	131,460
Share of result of associate	(3)	-	-	-	-	-	-	-	-	(3)
Profit before tax	13,427	26,383	22,231	20,703	19,789	25,478	2,639	807	-	131,457
Income tax expense										(26,406)
Profit for the period										105,051
Depreciation and amortization included in operating expenses	813	1,521	1,073	1,474	1,643	2,156	663	103	-	9,446
Capital expenditure	464	252	621	337	379	563	88	879	-	3,583
As at 31 December 2016										
Segment assets	4,565,308	4,149,290	2,532,893	3,378,776	2,833,496	3,922,132	913,274	807,402	(3,615,697)	19,486,874
Including: Investment in associate	213	-	-	-	-	-	-	-	-	213
Unallocated assets										83,187
Total assets										19,570,061
Include: non-current assets (1)	12,806	33,865	17,993	30,287	28,931	42,839	12,191	11,261	-	190,173
Segment liabilities	(3,291,426)	(4,162,053)	(2,528,928)	(3,386,705)	(2,833,390)	(3,943,549)	(915,912)	(785,790)	3,615,697	(18,232,056)
Unallocated liabilities										(16,414)
Total liabilities										(18,248,470)
Credit commitments	42,861	464,193	208,914	317,307	187,281	222,055	66,799	124,924	-	1,634,334

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

47 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2017					
External interest income	139,875	75,398	126,229	3,098	344,600
External interest expense	(41,786)	(71,749)	(18,799)	(943)	(133,277)
Inter-segment interest income/(expense)	1,279	80,133	(81,412)	-	-
Net interest income	99,368	83,782	26,018	2,155	211,323
Fee and commission income	23,196	23,361	-	705	47,262
Fee and commission expense	(2,133)	(2,641)	(1)	(22)	(4,797)
Net fee and commission income	21,063	20,720	(1)	683	42,465
Net trading (loss)/gain	-	-	(1,382)	12	(1,370)
Net gain/(loss) on financial instruments designated at fair value through profit or loss	125	(221)	72	631	607
Net (loss)/gain on investment securities	-	-	(46)	354	308
Other operating income	1,093	1,077	4,502	19,314	25,986
Operating income	121,649	105,358	29,163	23,149	279,319
Operating expenses	(30,360)	(39,986)	(10,693)	(20,375)	(101,414)
Impairment losses on assets	(46,135)	2,790	(1,190)	(162)	(44,697)
Operating profit	45,154	68,162	17,280	2,612	133,208
Share of result of associate	-	-	-	2	2
Profit before tax	45,154	68,162	17,280	2,614	133,210
Income tax expense					(24,540)
Profit for the period					108,670
Depreciation and amortization included in operating expenses	1,736	5,384	1,862	124	9,106
Capital expenditure	558	1,730	598	746	3,632
As at 30 June 2017					
Segment assets	6,620,600	4,155,733	9,499,264	202,014	20,477,611
Including: Investment in associate	-	-	-	215	215
Unallocated assets					95,975
Total assets					20,573,586
Segment liabilities	(7,319,816)	(10,160,230)	(1,507,056)	(206,807)	(19,193,909)
Unallocated liabilities					(21,236)
Total liabilities					(19,215,145)
Credit commitments	1,255,040	481,275	-	-	1,736,315

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2016					
External interest income	146,582	65,265	115,872	2,041	329,760
External interest expense	(44,744)	(75,829)	(9,638)	(592)	(130,803)
Inter-segment interest income/(expense)	213	87,524	(87,737)	-	-
Net interest income	102,051	76,960	18,497	1,449	198,957
Fee and commission income	28,134	25,703	-	609	54,446
Fee and commission expense	(938)	(2,380)	(1)	(19)	(3,338)
Net fee and commission income	27,196	23,323	(1)	590	51,108
Net trading gain	-	-	1,315	16	1,331
Net loss on financial instruments designated at fair value through profit or loss	(87)	(892)	(201)	(82)	(1,262)
Net gain on investment securities	-	-	138	477	615
Other operating income	1,134	980	734	8,907	11,755
Operating income	130,294	100,371	20,482	11,357	262,504
Operating expenses	(32,084)	(41,748)	(10,089)	(10,388)	(94,309)
Impairment losses on assets	(22,248)	(12,896)	(1,551)	(40)	(36,735)
Operating profit	75,962	45,727	8,842	929	131,460
Share of result of associate	-	-	-	(3)	(3)
Profit before tax	75,962	45,727	8,842	926	131,457
Income tax expense					(26,406)
Profit for the period					105,051
Depreciation and amortization included in operating expenses	1,693	5,480	2,202	71	9,446
Capital expenditure	507	1,639	659	778	3,583
As at 31 December 2016					
Segment assets	6,332,417	3,730,943	9,223,479	200,035	19,486,874
Including: Investment in associate	-	-	-	213	213
Unallocated assets					83,187
Total assets					19,570,061
Segment liabilities	(6,778,331)	(9,760,885)	(1,542,284)	(150,556)	(18,232,056)
Unallocated liabilities					(16,414)
Total liabilities					(18,248,470)
Credit commitments	1,234,807	399,527	-	-	1,634,334

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

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

County Area banking business

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

Urban Area banking business

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

	County banking business	Urban banking business	Eliminations	Consolidated total
For the six months ended 30 June 2017				
External interest income	76,052	268,548	-	344,600
External interest expense	(43,054)	(90,223)	-	(133,277)
Inter-segment interest income/(expense)	50,408	(50,408)	-	-
Net interest income	83,406	127,917	-	211,323
Fee and commission income	18,315	28,947	-	47,262
Fee and commission expense	(1,862)	(2,935)	-	(4,797)
Net fee and commission income	16,453	26,012	-	42,465
Net trading gain/(loss)	60	(1,430)	-	(1,370)
Net gain on financial instruments designated at fair value through profit or	3	604	-	607
Net gain on investment securities	-	308	-	308
Other operating income	2,367	23,619	-	25,986
Operating income	102,289	177,030	-	279,319
Operating expenses	(37,094)	(64,320)	-	(101,414)
Impairment losses on assets	(22,668)	(22,029)	-	(44,697)
Operating profit	42,527	90,681	-	133,208
Share of result of associate	-	2	-	2
Profit before tax	42,527	90,683	-	133,210
Income tax expense				(24,540)
Profit for the period				108,670
Depreciation and amortization included in operating expenses	4,196	4,910	-	9,106
Capital expenditure	739	2,893	-	3,632
As at 30 June 2017				
Segment assets	7,497,895	13,090,220	(110,504)	20,477,611
Including: Investment in associate	-	215	-	215
Unallocated assets				95,975
Total assets				20,573,586
Segment liabilities	(7,043,001)	(12,261,412)	110,504	(19,193,909)
Unallocated liabilities				(21,236)
Total liabilities				(19,215,145)
Credit commitments	422,099	1,314,216	-	1,736,315

(Amounts in millions of Renminbi, unless otherwise stated)

47 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County area banking business	Urban area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2016				
External interest income	72,363	257,397	-	329,760
External interest expense	(45,093)	(85,710)	-	(130,803)
Inter-segment interest income/(expense)	53,789	(53,789)	-	-
Net interest income	81,059	117,898	-	198,957
Fee and commission income	17,997	36,449	-	54,446
Fee and commission expense	(1,303)	(2,035)	-	(3,338)
Net fee and commission income	16,694	34,414	-	51,108
Net trading gain	84	1,247	-	1,331
Net gain/(loss) on financial instruments designated at fair value through profit or loss	26	(1,288)	-	(1,262)
Net gain on investment securities	-	615	-	615
Other operating income	2,197	9,558	-	11,755
Operating income	100,060	162,444	-	262,504
Operating expenses	(39,002)	(55,307)	-	(94,309)
Impairment losses on assets	(22,774)	(13,961)	-	(36,735)
Operating profit	38,284	93,176	-	131,460
Share of result of associate	-	(3)	-	(3)
Profit before tax	38,284	93,173	-	131,457
Income tax expense				(26,406)
Profit for the period				105,051
Depreciation and amortization included in operating expenses	4,381	5,065	-	9,446
Capital expenditure	788	2,795	-	3,583
As at 31 December 2016				
Segment assets	7,040,416	12,554,090	(107,632)	19,486,874
Including: Investment in associate	-	213	-	213
Unallocated assets				83,187
Total assets				19,570,061
Segment liabilities	(6,598,859)	(11,740,829)	107,632	(18,232,056)
Unallocated liabilities				(16,414)
Total liabilities				(18,248,470)
Credit commitments	380,806	1,253,528	-	1,634,334

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2017, the MOF directly owned 39.21% (31 December 2016: 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 2017	**31 December 2016**
Assets		
Treasury bonds and special government bond	596,029	640,131
Receivable from the MOF (Note 26)	272,023	272,023
Interest receivable		
- treasury bonds and special government bond	7,829	7,648
- receivable from the MOF	8,316	3,802
Accounts receivable and temporary payments	13,147	13,147
Liabilities		
Amount payable to the MOF (Note 39)	27,158	26,293
Customer deposits	13,768	10,265
Interest payable	48	23
Other liability		
- redemption of treasury bonds on behalf of the MOF	94	102

	Six months ended 30 June	
	2017	**2016**
Interest income	27,556	16,033
Interest expense	(91)	(69)
Fee and commission income	362	5,588

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

	Six months ended 30 June	
	2017	**2016**
	%	%
Treasury bonds and receivable from the MOF	2.10-9.00	0.38-9.00
Customer deposits	0.0001-1.95	0.05-1.76

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

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, 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 2017, Huijin directly owned 40.03% (31 December 2016: 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 2017	**31 December 2016**
Assets		
Loans and advances to customers	16,000	-
Investment in debt securities	12,056	12,103
Interest receivable	393	145
Liabilities		
Principal guaranteed wealth management products issued by the Bank	-	7,000
Customer deposits	8,073	27
Interest payable	15	49

	Six months ended 30 June	
	2017	**2016**
Interest income	121	228
Interest expense	(63)	(342)

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

	Six months ended 30 June	
	2017	**2016**
	%	%
Loans and advances to customers	3.92	-
Investment in debt securities	3.16-4.20	3.16-4.20
Principal guaranteed wealth management products issued by the Bank	2.95-3.73	3.40-5.00
Customer deposits	0.30-1.76	0.30-2.80

(Amounts in millions of Renminbi, unless otherwise stated)

48 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 2017	31 December 2016
Assets		
Deposits with banks and other financial institutions	26,022	120,985
Precious metal leasing	2,088	930
Placements with and loans to banks and other financial institutions	38,569	56,783
Derivative financial assets	1,145	2,671
Financial assets held under resale agreements	15,587	74,740
Loans and advances to customers	13,526	12,876
Investment securities	716,931	817,129
Liabilities		
Deposits from banks and other financial institutions	36,945	63,007
Placements from banks and other financial institutions	70,512	85,744
Derivative financial liabilities	741	2,238
Financial assets sold under repurchase agreements	18,493	12,438
Equity		
Preference shares	2,000	2,000
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	2,407	22,642

(3) The Group and other government related entities

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

(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 2017	**31 December 2016**
Assets		
Deposits with banks and other financial institutions	-	3
Placements with and loans to banks and other financial institutions	10,504	11,411
Loans and advances to customers	4,556	4,398
Liabilities		
Deposits from banks and other financial institutions	2,865	5,887
Placements from banks and other financial institutions	62	1,041
Deposits from customers	1,919	1,758
Off-balance sheet items		
Letters of guarantee issued and guarantees	11,144	11,388

	Six months ended 30 June	
	2017	**2016**
Interest income	103	82
Fee and commission income	765	717
Interest expense	(17)	(39)
Fee and commission expense	(4)	-
Operating expense	(5)	(4)

(5) The Group and its associate

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

	30 June 2017	**31 December 2016**
Placements with banks and other financial institutions	62	183

For the six months ended 30 June 2017 and 30 June 2016, transaction profit or loss between the Group and its associate was not significant.

(Amounts in millions of Renminbi, unless otherwise stated)

48 RELATED PARTY TRANSACTIONS (Continued)

(6) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. 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 these related parties in the normal course of business. As at 30 June 2017, the balance of loans and advances to the related parties above is RMB2.89 million (31 December 2016: RMB4.91 million).

(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 2017	**31 December 2016**
Deposits from Annuity Scheme	473	16,367
Interest payable	-	619

	Six months ended 30 June	
	2017	**2016**
Interest expense	149	244

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

	Six months ended 30 June	
	2017	**2016**
	%	%
Deposits from Annuity Scheme	0.03-6.20	5.75-6.20

49 STRUCTURED ENTITIES

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

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

(2) Other consolidated structured entities

Other structured entities consolidated by the Group include certain trust investment plans, 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 2017, the total assets of these consolidated structured entities were RMB345,346 million (31 December 2016: RMB306,177 million).

(3) 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 wealth management products ("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 2017, the total assets invested by these WMPs amounted to RMB1,532,748 million (31 December 2016: RMB1,379,009 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,186,197 million (31 December 2016: RMB1,299,375 million). For the six months ended 30 June 2017, the Group's interest in these WMPs included net fee and commission income of RMB4,583 million (Six months ended 30 June 2016: RMB4,114 million) and net interest income of RMB548 million (Six months ended 30 June 2016: RMB75 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 2017 and the outstanding balance as at 30 June 2017 of these transactions were RMB32,944 million (weighted average outstanding period of 5.40 days) (2016: RMB8,776 million and 3.06 days) and RMB229,778 million (31 December 2016: RMB125,627 million), respectively. The Group was under no obligation to enter into these transactions. As at 30 June 2017 and 31 December 2016, 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 2017 and the year ended 31 December 2016. The Group was not required to absorb any losses incurred by WMPs. During the period ended 30 June 2017 and the year ended 31 December 2016, 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.

(Amounts in millions of Renminbi, unless otherwise stated)

49 STRUCTURED ENTITIES (Continued)

(3) Unconsolidated structured entities (Continued)

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 2017, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB38,239 million (31 December 2016: RMB34,463 million), included under the financial assets designated at fair value through profit or loss, the available-for-sale financial assets, the held-to-maturity investments and the debt instruments classified as receivables 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.

50 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 2017, provisions of RMB6,824 million were made by the Group (31 December 2016: RMB6,030 million) based on court judgments or advice of legal counsel, and included in Note 39 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

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. 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 this report, 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 regulators’ conclusions after completion of the Bank’s and its New York Branch’s actions to satisfy the other requirements under these two orders. As such, the Group did not accrue any provision over this matter as at 30 June 2017.

Capital commitments

	30 June 2017	31 December 2016
Contracted but not provided for	4,845	4,951

In addition, as at 30 June 2017 and 31 December 2016, the Group did not have outstanding equity investment commitments for its investee companies.

(Amounts in millions of Renminbi, unless otherwise stated)

50 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments

	30 June 2017	31 December 2016
Loan commitments		
- With an original maturity of less than 1 year	60,999	38,433
- With an original maturity of 1 year or above	646,378	549,968
Subtotal	707,377	588,401
Bank acceptance	276,027	312,255
Credit card commitments	380,112	323,217
Guarantee and letters of guarantee	224,496	229,177
Letters of credit	148,303	181,284
Total	1,736,315	1,634,334

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

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 30 June 2017 and 31 December 2016, credit risk weighted amount for credit commitments was measured under the Internal Ratings - Based approach.

	30 June 2017	31 December 2016
Credit risk weighted amount for credit commitments	868,556	831,636

Operating lease commitments

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

	30 June 2017	31 December 2016
Within 1 year	3,813	3,948
1 to 2 years	2,983	3,051
2 to 3 years	2,123	2,262
3 to 5 years	2,244	2,451
Above 5 years	1,183	1,255
Total	12,346	12,967

For the six months ended 30 June 2017, operating lease expense recognized as operating expense by the Group was RMB2,358 million (Six months ended 30 June 2016: RMB2,378 million), and is included in Note 11 Operating Expenses.

(Amounts in millions of Renminbi, unless otherwise stated)

50 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Finance lease commitments

As at 30 June 2017, the contractual amount of non-cancellable finance lease commitments of the Group, as a lessor, was RMB223 million (31 December 2016: RMB338 million).

As at 30 June 2017, the gross amount of finance lease receivables included in the Group's loans and advances were RMB37,935 million (31 December 2016: RMB38,245 million), with the remaining maturity as follows:

	30 June 2017	31 December 2016
Overdue	4,375	4,256
Within 1 year	7,708	7,643
1 to 5 years	17,764	17,748
Above 5 years	8,088	8,598
Total	37,935	38,245

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 2017	31 December 2016
Debt securities	123,710	208,529
Bills	23	814
Total	123,733	209,343

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2017 was RMB121,537 million (31 December 2016: RMB205,832 million) as set out in Note 36 Financial Assets Sold under Repurchase Agreements. Repurchase agreements are due within 12 months from the effective dates of these agreements.

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

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions and borrowings from central banks etc. by the Group as at 30 June 2017 amounted to RMB608,318 million in total (31 December 2016: RMB365,153 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 22 Financial Assets Held Under Resale Agreements). The Group did not hold any collateral that can be resold or re-pledged as at 30 June 2017 and 31 December 2016.

50 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Redemption commitment for treasury bonds

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

As at 30 June 2017, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB59,760 million (31 December 2016: RMB56,555 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 2017 and 31 December 2016, the Group did not have unfulfilled commitment in respect of securities underwriting business.

51 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured 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 assesses whether or not to derecognize the transferred assets by evaluating, among other factors, 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 2017, the unexpired asset-backed securities included accumulative loans transferred by the Group before impairment of RMB27,293 million (31 December 2016: RMB18,364 million). RMB10,154 million of this balance (31 December 2016: RMB10,154 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 RMB17,139 million (31 December 2016: RMB8,210 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 30 June 2017, the Group continued to recognize assets of RMB1,526 million (31 December 2016: RMB712 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.

51 TRANSFERRED FINANCIAL ASSETS (Continued)

Transfer of non-performing loans

During the period ended 30 June 2017, the Group transferred non-performing loans through disposal to third parties, with gross loan balance of RMB15,037 million (During the period ended 30 June 2016: RMB34,373 million). The Group carried out an assessment and concluded that these transferred assets qualified for full de-recognition.

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 2017, of these collateral pledged disclosed in Note 50 Contingent Liabilities and Commitments - Collateral, RMB41,510 million (31 December 2016: RMB14,087 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 2017, the carrying amount of debt securities lent to counterparties was RMB40,655 million (31 December 2016: RMB15,415 million).

52 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk

Credit risk management

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

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

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

During the reporting period, the Group actively implemented the state's macro-economic policies and continuously optimized its credit assets structure. The Group further strengthened its credit risk management mechanism, heightened risk management and control in key areas in preventing and mitigating various risks and potential vulnerabilities. The Group also reinforced the efforts in its recovery and disposal of non-performing loans to maintain a steady and solid level of asset quality.

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

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Impairment assessment

Key factors related to the Group's impairment assessment

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

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

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

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

	30 June 2017	31 December 2016
Balances with central banks	2,772,278	2,700,046
Deposits with banks and other financial institutions	198,792	622,665
Placements with and loans to banks and other financial institutions	387,844	580,949
Financial assets held for trading	160,297	123,282
Financial assets designated at fair value through profit or loss	361,604	286,564
Derivative financial assets	15,452	31,460
Financial assets held under resale agreements	596,304	323,051
Loans and advances to customers	9,996,639	9,319,364
Available-for-sale financial assets	1,344,856	1,390,678
Held-to-maturity investments	3,320,161	2,882,152
Debt instruments classified as receivables	672,991	624,547
Other financial assets	207,935	205,718
Subtotal	20,035,153	19,090,476
Credit commitments	1,736,315	1,634,334
Total	21,771,468	20,724,810

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

The main types of collateral obtained are as follows:

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers

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

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

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	194,124	2.9	279,658	4.4
Yangtze River Delta	1,436,493	21.3	1,310,376	20.6
Pearl River Delta	784,731	11.7	752,897	11.8
Bohai Rim	1,074,083	16.0	1,001,682	15.7
Central China	939,695	14.0	857,319	13.5
Western China	1,591,851	23.6	1,463,806	22.9
Northeastern China	281,922	4.2	272,460	4.3
Overseas and Others	424,096	6.3	435,027	6.8
Subtotal	6,726,995	100.0	6,373,225	100.0
Personal loans and advances				
Head Office	73	-	104	-
Yangtze River Delta	917,970	25.0	860,092	25.6
Pearl River Delta	789,180	21.4	713,500	21.3
Bohai Rim	568,653	15.4	498,332	14.9
Central China	525,838	14.3	451,954	13.5
Western China	742,369	20.1	694,461	20.8
Northeastern China	136,605	3.7	122,436	3.7
Overseas and Others	4,235	0.1	5,535	0.2
Subtotal	3,684,923	100.0	3,346,414	100.0
Gross loans and advances to customers	10,411,918		9,719,639	

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

	30 June 2017		31 December 2016	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Manufacturing	1,379,493	20.5	1,325,386	20.9
Transportation, logistics and postal services	1,195,016	17.8	1,052,336	16.5
Production and supply of power, heat, gas and water	780,286	11.6	673,621	10.6
Leasing and commercial services	774,917	11.5	560,270	8.8
Real estate	562,879	8.4	510,470	8.0
Retail and wholesale	492,176	7.3	497,976	7.8
Finance	366,055	5.4	735,915	11.5
Water, environment and public utilities management	347,060	5.2	241,365	3.8
Mining	245,348	3.6	243,396	3.8
Construction	223,820	3.3	187,931	2.9
Others	359,945	5.4	344,559	5.4
Subtotal	6,726,995	100.0	6,373,225	100.0
Personal loans and advances				
Residential mortgage	2,855,902	77.5	2,560,002	76.5
Personal business	179,611	4.9	196,727	5.9
Personal consumer	165,211	4.5	153,945	4.6
Credit cards	271,953	7.4	242,451	7.2
Others	212,246	5.7	193,289	5.8
Subtotal	3,684,923	100.0	3,346,414	100.0
Gross loans and advances to customers	10,411,918		9,719,639	

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

	30 June 2017			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,235,873	570,964	944,843	2,751,680
Guaranteed loans	666,015	357,828	391,827	1,415,670
Loans secured by collateral	886,802	463,929	3,436,583	4,787,314
Pledged loans	485,042	83,276	888,936	1,457,254
Total	3,273,732	1,475,997	5,662,189	10,411,918

	31 December 2016			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	992,899	466,138	886,821	2,345,858
Guaranteed loans	618,532	330,718	344,430	1,293,680
Loans secured by collateral	947,139	519,723	3,127,606	4,594,468
Pledged loans	786,985	69,113	629,535	1,485,633
Total	3,345,555	1,385,692	4,988,392	9,719,639

(4) Past due loans

	30 June 2017				
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,796	7,233	5,515	245	18,789
Guaranteed loans	18,300	18,318	30,384	3,491	70,493
Loans secured by collateral	50,246	43,332	65,833	10,318	169,729
Pledged loans	3,710	2,414	5,458	903	12,485
Total	78,052	71,297	107,190	14,957	271,496

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Past due loans (Continued)

	31 December 2016				
	Up to 90 days	**91 to 360 days**	**361 days to 3 years**	**Over 3 years**	**Total**
Unsecured loans	4,411	8,619	4,460	406	17,896
Guaranteed loans	19,386	23,586	26,612	2,937	72,521
Loans secured by collateral	53,772	52,054	60,454	6,405	172,685
Pledged loans	1,976	2,209	6,901	447	11,533
Total	79,545	86,468	98,427	10,195	274,635

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

(5) Credit quality of loans and advances to customers

		30 June 2017	**31 December 2016**
Neither past due nor impaired	(i)	10,124,916	9,433,058
Past due but not impaired	(ii)	58,571	55,747
Impaired	(iii)	228,431	230,834
Subtotal		10,411,918	9,719,639
Allowance for impairment losses of loans and advances to customers		(415,279)	(400,275)
Loans and advances to customers, net		9,996,639	9,319,364

(i) Loans and advances neither past due nor impaired

	30 June 2017		
	Normal	**Special-mention**	**Total**
Corporate loans and advances	6,190,758	320,827	6,511,585
Personal loans and advances	3,610,120	3,211	3,613,331
Total	9,800,878	324,038	10,124,916

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

(i) Loans and advances neither past due nor impaired (Continued)

	31 December 2016		
	Normal	Special-mention	Total
Corporate loans and advances	5,832,088	321,400	6,153,488
Personal loans and advances	3,276,326	3,244	3,279,570
Total	9,108,414	324,644	9,433,058

(ii) Loans and advances past due but not impaired

	30 June 2017				
	Up to 30 days	31 - 60 days	61 - 90 days	Total	Including: exposure covered by collateral and pledge
Corporate loans and advances	20,295	5,965	34	26,294	24,413
Personal loans and advances	20,379	6,633	5,265	32,277	22,973
Total	40,674	12,598	5,299	58,571	47,386

	31 December 2016				
	Up to 30 days	31 - 60 days	61 - 90 days	Total	Including: exposure covered by collateral and pledge
Corporate loans and advances	21,940	4,902	18	26,860	23,588
Personal loans and advances	17,124	6,590	5,173	28,887	20,430
Total	39,064	11,492	5,191	55,747	44,018

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

(iii) Impaired loans and advances

	30 June 2017		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	192,162	(144,253)	47,909
Collectively assessed	36,269	(30,819)	5,450
Total	228,431	(175,072)	53,359

	31 December 2016		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	192,848	(133,605)	59,243
Collectively assessed	37,986	(28,999)	8,987
Total	230,834	(162,604)	68,230

Including:

	30 June 2017	31 December 2016
Individually assessed and impaired	192,162	192,848
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.85%	1.98%
Including: exposure covered by collateral and pledge	30,857	39,021

The composition of impaired loans and advances to customers by geographical area is analyzed as follows:

	30 June 2017		31 December 2016	
	Amount	% of total	Amount	% of total
Head Office	7	-	7	-
Yangtze River Delta	34,113	14.9	35,471	15.4
Pearl River Delta	26,288	11.5	30,530	13.2
Bohai Rim	49,856	21.8	45,728	19.8
Central China	28,686	12.6	30,194	13.1
Western China	75,825	33.2	76,046	32.9
Northeastern China	9,681	4.2	8,772	3.8
Overseas and Others	3,975	1.8	4,086	1.8
Total	228,431	100.0	230,834	100.0

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(6) Rescheduled loans and advances

Rescheduled loans and advances are those loans and advances to customers which have been renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrowers to meet their original repayment schedule. 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 2017 amounted to RMB53,454 million (31 December 2016: RMB52,491 million).

During the period ended 30 June 2017, as a result of loan renegotiations, the Group recognized shares with fair value of RMB344 million. The loss associated with these loan renegotiations was not significant.

(7) Assets foreclosed under credit enhancement arrangement

Such assets are disclosed as foreclosed assets in Note 30 Other Assets.

Debt instruments

Credit quality of debt instruments

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

		30 June 2017	31 December 2016
Neither past due nor impaired	(1)	3,998,867	3,509,837
Impaired	(2)	5,315	5,542
Subtotal		4,004,182	3,515,379
Individually assessed		(3,582)	(3,516)
Collectively assessed		(7,448)	(5,164)
Allowance for impairment losses		(11,030)	(8,680)
Total held-to-maturity investments and debt instruments classified as receivables, net		3,993,152	3,506,699

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired

	30 June 2017				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Debt securities issued by:					
- Governments	23,478	445,718	1,494,164	155,788	2,119,148
- Public sector and quasi-governments	106,997	363,327	1,219,592	29,998	1,719,914
- Financial institutions	137,756	342,094	451,169	78,833	1,009,852
- Corporates	61,782	190,133	161,376	19,133	432,424
Special government bond	-	-	-	93,300	93,300
Receivable from the MOF	-	-	-	272,023	272,023
Certificate treasury bonds and savings treasury bonds	-	-	-	3,262	3,262
Others	11,148	3,550	-	20,229	34,927
Total	341,161	1,344,822	3,326,301	672,566	5,684,850

	31 December 2016				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Debt securities issued by:					
- Governments	20,900	464,613	1,320,638	120,618	1,926,769
- Public sector and quasi-governments	99,784	383,824	1,129,986	29,997	1,643,591
- Financial institutions	109,989	353,335	263,950	64,130	791,404
- Corporates	48,665	188,869	171,604	20,436	429,574
Special government bond	-	-	-	93,300	93,300
Receivable from the MOF	-	-	-	272,023	272,023
Certificate treasury bonds and savings treasury bonds	-	-	-	2,990	2,990
Others	15,883	-	-	20,165	36,048
Total	295,221	1,390,641	2,886,178	623,659	5,195,699

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Impaired debt instruments

	30 June 2017		
	Held-to-maturity investments	**Debt instruments classified as receivables**	**Total**
Corporate bonds	-	500	500
Others	-	4,815	4,815
Subtotal	-	5,315	5,315
Allowance for impairment losses	-	(3,582)	(3,582)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	-	1,733	1,733

	31 December 2016		
	Held-to-maturity investments	**Debt instruments classified as receivables**	**Total**
Corporate bonds	-	547	547
Others	-	4,995	4,995
Subtotal	-	5,542	5,542
Allowance for impairment losses	-	(3,516)	(3,516)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	-	2,026	2,026

The Group's available-for-sale debt instruments were individually assessed for impairment. As at 30 June 2017, the carrying amount of the impaired available-for-sale debt instruments of the Group was RMB34 million (31 December 2016: RMB37 million). The accumulative impairment losses recognized for these impaired available-for-sale debt instruments by the Group as at 30 June 2017 was RMB322 million (31 December 2016: RMB331 million).

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating

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

		30 June 2017					
		Unrated(i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:							
- Governments		1,411,221	683,093	16,650	4,503	59	2,115,526
- Public sector and quasi-governments		1,519,268	188,450	4,837	7,161	-	1,719,716
- Financial institutions		658,215	161,062	68,486	74,656	44,506	1,006,925
- Corporates	(ii)	29,436	357,772	5,624	24,566	14,881	432,279
Special government bond		93,300	-	-	-	-	93,300
Receivable from the MOF		272,023	-	-	-	-	272,023
Certificate treasury bonds and savings treasury bonds		3,262	-	-	-	-	3,262
Other		36,138	-	-	-	-	36,138
Total		4,022,863	1,390,377	95,597	110,886	59,446	5,679,169

		31 December 2016					
		Unrated(i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:							
- Governments		1,322,981	594,641	5,249	1,033	705	1,924,609
- Public sector and quasi-governments		1,469,672	162,840	10,692	209	-	1,643,413
- Financial institutions		526,761	144,056	36,508	51,620	30,377	789,322
- Corporates	(ii)	47,367	337,875	4,262	23,743	16,116	429,363
Special government bond		93,300	-	-	-	-	93,300
Receivable from the MOF		272,023	-	-	-	-	272,023
Certificate treasury bonds and savings treasury bonds		2,990	-	-	-	-	2,990
Other		37,578	-	-	-	-	37,578
Total		3,772,672	1,239,412	56,711	76,605	47,198	5,192,598

52 FINANCIAL RISK MANAGEMENT (Continued)

52.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

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

(i) Unrated debt investments held by the Group are bonds issued primarily by policy banks, the Chinese government, municipal government bonds and receivable from the MOF.

(ii) The ratings of super short-term commercial papers of the Group amounted to RMB23,306 million (31 December 2016: RMB23,420 million), as included in corporate bonds above are based on issuer rating for this credit risk analysis.

52.2 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

- Optimizing asset and liability structure;
- Maintaining stability of deposit base;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining an efficient internal funds transfer mechanism within the Group; and
- Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

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

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

	30 June 2017								
	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	-	171,534	6,304	3,269	12,681	-	-	2,688,242	2,882,030
Deposits with banks and other financial institutions	-	64,639	35,079	35,287	63,406	381	-	-	198,792
Placements with and loans to banks and other financial institutions	-	-	100,237	121,221	125,459	38,219	2,708	-	387,844
Financial assets held for trading	-	639	14,289	25,709	74,135	43,688	2,476	-	160,936
Financial assets designated at fair value through profit or loss	-	-	40,841	50,605	87,302	129,772	51,927	11,590	372,037
Derivative financial assets	-	-	1,706	2,919	9,972	644	211	-	15,452
Financial assets held under resale agreements	3,872	-	559,385	10,674	22,373	-	-	-	596,304
Loans and advances to customers	38,249	-	460,214	608,569	2,514,771	2,024,008	4,350,828	-	9,996,639
Available-for-sale financial assets	-	-	29,996	58,668	204,445	723,338	324,858	21,318	1,362,623
Held-to-maturity investments	-	-	91,501	102,498	412,847	1,595,119	1,118,196	-	3,320,161
Debt instruments classified as receivables	473	-	4,883	18,173	64,777	127,066	457,619	-	672,991
Other financial assets	1,992	81,210	18,421	27,607	16,745	38,404	23,556	-	207,935
Total financial assets	44,586	318,022	1,362,856	1,065,199	3,608,913	4,720,639	6,332,379	2,721,150	20,173,744
Borrowings from central banks	-	(30)	(24,000)	(108,010)	(302,600)	(1,109)	-	-	(435,749)
Deposits from banks and other financial institutions	-	(486,783)	(127,311)	(141,025)	(110,830)	(66,087)	-	-	(932,036)
Placements from banks and other financial institutions	-	-	(96,534)	(107,774)	(84,666)	(3,695)	(2,800)	-	(295,469)
Financial liabilities held for trading	-	(20,190)	(138)	(277)	-	-	-	-	(20,605)
Financial liabilities designated at fair value through profit or loss	-	-	(60,832)	(53,453)	(141,078)	(16,464)	(40)	-	(271,867)
Derivative financial liabilities	-	-	(1,167)	(2,326)	(5,961)	(566)	(341)	-	(10,361)
Financial assets sold under repurchase agreements	-	-	(88,747)	(22,045)	(10,188)	(557)	-	-	(121,537)
Due to customers	-	(10,099,725)	(486,261)	(839,615)	(2,947,274)	(1,731,788)	(286)	-	(16,104,949)
Debt securities issued	-	-	(43,206)	(72,423)	(119,943)	(49,479)	(154,935)	-	(439,986)
Other financial liabilities	-	(183,968)	(14,756)	(48,902)	(90,215)	(65,675)	(36,467)	-	(439,983)
Total financial liabilities	-	(10,790,696)	(942,952)	(1,395,850)	(3,812,755)	(1,935,420)	(194,869)	-	(19,072,542)
Net position	44,586	(10,472,674)	419,904	(330,651)	(203,842)	2,785,219	6,137,510	2,721,150	1,101,202

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

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

	31 December 2016								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Cash and balances with central banks	-	223,360	5,110	4,836	16,262	-	-	2,562,085	2,811,653
Deposits with banks and other financial institutions	-	63,917	127,622	168,455	261,620	1,051	-	-	622,665
Placements with and loans to banks and other financial institutions	-	-	159,166	86,942	293,126	41,715	-	-	580,949
Financial assets held for trading	-	336	9,115	18,899	57,602	35,087	2,579	-	123,618
Financial assets designated at fair value through profit or loss	-	-	13,386	47,815	88,784	99,849	36,730	7,773	294,337
Derivative financial assets	-	-	2,121	2,485	25,284	1,165	405	-	31,460
Financial assets held under resale agreements	3,872	-	274,766	26,276	18,137	-	-	-	323,051
Loans and advances to customers	46,908	-	496,239	630,872	2,541,515	1,895,689	3,708,141	-	9,319,364
Available-for-sale financial assets	-	-	34,068	54,098	235,151	719,158	348,203	18,203	1,408,881
Held-to-maturity investments	-	-	51,331	90,654	315,762	1,362,537	1,061,868	-	2,882,152
Debt instruments classified as receivables	-	103	2,205	12,876	52,418	109,354	447,591	-	624,547
Other financial assets	1,607	73,522	32,579	50,698	46,485	776	51	-	205,718
Total financial assets	52,387	361,238	1,207,708	1,194,906	3,952,146	4,266,381	5,605,568	2,588,061	19,228,395
Borrowings from central banks	-	(30)	(16,342)	(69,000)	(205,059)	(621)	-	-	(291,052)
Deposits from banks and other financial institutions	-	(523,652)	(296,656)	(146,008)	(94,165)	(95,563)	-	-	(1,156,044)
Placements from banks and other financial institutions	-	-	(132,600)	(94,050)	(68,138)	(4,820)	(2,413)	-	(302,021)
Financial liabilities held for trading	-	(16,587)	(393)	(524)	-	-	-	-	(17,504)
Financial liabilities designated at fair value through profit or loss	-	-	(77,589)	(63,996)	(125,422)	(16,621)	(38)	-	(283,666)
Derivative financial liabilities	-	-	(2,576)	(3,582)	(13,143)	(1,111)	(346)	-	(20,758)
Financial assets sold under repurchase agreements	-	-	(193,068)	(12,004)	(760)	-	-	-	(205,832)
Due to customers	-	(9,007,828)	(499,909)	(1,185,880)	(2,637,833)	(1,705,965)	(586)	-	(15,038,001)
Debt securities issued	-	-	(34,405)	(56,128)	(89,372)	(52,699)	(155,611)	-	(388,215)
Other financial liabilities	-	(168,287)	(16,390)	(73,738)	(74,678)	(93,281)	(36,768)	-	(463,142)
Total financial liabilities	-	(9,716,384)	(1,269,928)	(1,704,910)	(3,308,570)	(1,970,681)	(195,762)	-	(18,166,235)
Net position	52,387	(9,355,146)	(62,220)	(510,004)	643,576	2,295,700	5,409,806	2,588,061	1,062,160

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

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

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

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 2017								
	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	-	171,534	6,305	4,421	12,681	-	-	2,688,242	2,883,183
Deposits with banks and other financial institutions	-	64,639	35,976	36,363	65,613	438	-	-	203,029
Placements with and loans to banks and other financial institutions	-	-	100,466	124,165	126,636	40,236	3,801	-	395,304
Financial assets held for trading	-	639	14,324	26,008	75,331	47,098	2,801	-	166,201
Financial assets designated at fair value through profit or loss	-	-	41,678	52,455	93,210	145,930	58,477	11,590	403,340
Financial assets held under resale agreements	3,872	-	560,381	10,878	23,141	-	-	-	598,272
Loans and advances to customers	167,455	-	522,500	708,586	2,878,765	3,069,665	6,205,556	-	13,552,527
Available-for-sale financial assets	-	-	31,217	62,118	218,634	834,047	387,302	21,318	1,554,636
Held-to-maturity investments	-	-	95,146	112,081	454,115	1,917,052	1,346,476	-	3,924,870
Debt instruments classified as receivables	578	-	4,956	21,327	69,219	163,730	481,421	-	741,231
Other financial assets	-	81,182	1,148	3,496	4,360	65	7	-	90,258
Total non-derivative financial assets	171,905	317,994	1,414,097	1,161,898	4,021,705	6,218,261	8,485,841	2,721,150	24,512,851
Non-derivative financial liabilities									
Borrowings from central banks	-	(30)	(24,356)	(110,338)	(312,002)	(1,103)	-	-	(447,829)
Deposits from banks and other financial institutions	-	(486,783)	(128,152)	(143,428)	(123,294)	(74,354)	-	-	(956,011)
Placements from banks and other financial institutions	-	-	(96,621)	(108,700)	(85,019)	(4,682)	(3,150)	-	(298,172)
Financial liabilities held for trading	-	(20,190)	(139)	(278)	-	-	-	-	(20,607)
Financial liabilities designated at fair value through profit or loss	-	-	(61,133)	(53,968)	(148,537)	(14,289)	(42)	-	(277,969)
Financial assets sold under repurchase agreements	-	-	(88,913)	(22,178)	(10,301)	(586)	-	-	(121,978)
Due to customers	-	(10,133,100)	(497,790)	(859,370)	(3,044,458)	(1,930,329)	(335)	-	(16,465,382)
Debt securities issued	-	-	(43,328)	(72,777)	(121,300)	(50,532)	(155,354)	-	(443,291)
Other financial liabilities	-	(154,678)	(1,653)	(28,681)	(1,508)	(158)	(35,088)	-	(221,766)
Total non-derivative financial liabilities	-	(10,794,781)	(942,085)	(1,399,718)	(3,846,419)	(2,076,033)	(193,969)	-	(19,253,005)
Net position	171,905	(10,476,787)	472,012	(237,820)	175,286	4,142,228	8,291,872	2,721,150	5,259,846

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	31 December 2016								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	-	223,360	5,111	6,056	16,262	-	-	2,562,085	2,812,874
Deposits with banks and other financial institutions	-	63,917	128,856	171,825	267,814	1,082	-	-	633,494
Placements with and loans to banks and other financial institutions	-	-	159,871	88,487	300,526	42,951	-	-	591,835
Financial assets held for trading	-	336	9,275	19,285	61,304	36,647	2,624	-	129,471
Financial assets designated at fair value through profit or loss	-	-	13,846	49,621	94,604	114,089	42,651	7,773	322,584
Financial assets held under resale agreements	3,872	-	275,769	26,782	18,654	-	-	-	325,077
Loans and advances to customers	170,526	-	556,130	724,261	2,879,489	2,852,032	5,326,820	-	12,509,258
Available-for-sale financial assets	-	-	35,142	55,927	247,596	747,779	376,454	18,203	1,481,101
Held-to-maturity investments	-	-	53,256	94,931	333,034	1,430,249	1,198,113	-	3,109,583
Debt instruments classified as receivables	-	103	2,283	13,552	54,372	114,864	456,142	-	641,316
Other financial assets	-	73,449	1,333	18,492	1,922	145	7	-	95,348
Total non-derivative financial assets	174,398	361,165	1,240,872	1,269,219	4,275,577	5,339,838	7,402,811	2,588,061	22,651,941
Non-derivative financial liabilities									
Borrowings from central banks	-	(30)	(16,839)	(70,067)	(209,950)	(622)	-	-	(297,508)
Deposits from banks and other financial institutions	-	(523,653)	(297,533)	(153,366)	(102,476)	(111,199)	-	-	(1,188,227)
Placements from banks and other financial institutions	-	-	(132,947)	(94,693)	(69,026)	(5,491)	(2,548)	-	(304,705)
Financial liabilities held for trading	-	(16,587)	(394)	(525)	-	-	-	-	(17,506)
Financial liabilities designated at fair value through profit or loss	-	-	(78,493)	(65,059)	(132,069)	(18,375)	(39)	-	(294,035)
Financial assets sold under repurchase agreements	-	-	(193,213)	(12,047)	(791)	-	-	-	(206,051)
Due to customers	-	(9,013,383)	(513,834)	(1,224,360)	(2,737,611)	(1,925,423)	(586)	-	(15,415,197)
Debt securities issued	-	-	(34,492)	(56,479)	(90,211)	(55,385)	(155,720)	-	(392,287)
Other financial liabilities	-	(162,912)	(649)	(31,945)	(1,415)	(338)	(36,768)	-	(234,027)
Total non-derivative financial liabilities	-	(9,716,565)	(1,268,394)	(1,708,541)	(3,343,549)	(2,116,833)	(195,661)	-	(18,349,543)
Net position	174,398	(9,355,400)	(27,522)	(439,322)	932,028	3,223,005	7,207,150	2,588,061	4,302,398

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

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

	30 June 2017					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(1)	(1)	1	227	(103)	123

	31 December 2016					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	4	29	11	400	34	478

Derivatives settled on a gross basis

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

	30 June 2017					
	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	354,918	356,861	1,126,121	28,649	527	1,867,076
- Cash outflow	(354,210)	(355,692)	(1,118,039)	(28,668)	(500)	(1,857,109)
Total	708	1,169	8,082	(19)	27	9,967

	31 December 2016					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives settled on a gross basis						
- Cash inflow	305,839	230,340	1,032,215	36,311	485	1,605,190
- Cash outflow	(306,299)	(231,425)	(1,018,999)	(36,568)	(469)	(1,593,760)
Total	(460)	(1,085)	13,216	(257)	16	11,430

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.2 Liquidity risk (Continued)

Credit commitments

The tables below summarize the amounts of credit commitments by remaining maturity.

	30 June 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Loan commitments	96,014	152,548	458,815	707,377
Bank acceptance	276,027	-	-	276,027
Credit card commitments	380,112	-	-	380,112
Guarantee and letters of guarantee	108,545	91,390	24,561	224,496
Letters of credit	138,466	9,837	-	148,303
Total	999,164	253,775	483,376	1,736,315

	31 December 2016			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Loan commitments	84,529	142,003	361,869	588,401
Bank acceptance	312,255	-	-	312,255
Credit card commitments	323,217	-	-	323,217
Guarantee and letters of guarantee	107,922	94,520	26,735	229,177
Letters of credit	161,127	20,157	-	181,284
Total	989,050	256,680	388,604	1,634,334

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk

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

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

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

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

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

Segregation of Trading Book and Banking Book

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

Market Risk Management for Trading Book

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

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

VaR Analysis for the Trading Book

Bank

		Six months ended 30 June 2017			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		50	47	72	40
Exchange rate risk	(1)	64	52	105	19
Commodity risk		17	11	69	6
Overall VaR		93	79	153	40

		Six months ended 30 June 2016			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		65	63	71	50
Exchange rate risk	(1)	57	66	106	36
Commodity risk		20	12	20	3
Overall VaR		77	83	103	73

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and gold. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Market Risk Management for Banking Book

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

Interest Rate Risk Management

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

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

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

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

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

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the 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)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

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

	30 June 2017				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,823,891	45,914	2,399	9,826	2,882,030
Deposits with banks and other financial institutions	154,898	34,374	2,235	7,285	198,792
Placements with and loans to banks and other financial institutions	260,205	106,998	10,417	10,224	387,844
Financial assets held for trading	160,676	136	-	124	160,936
Financial assets designated at fair value through profit or loss	351,641	5,642	11,498	3,256	372,037
Derivative financial assets	8,735	5,602	10	1,105	15,452
Financial assets held under resale agreements	596,304	-	-	-	596,304
Loans and advances to customers	9,504,933	376,788	61,661	53,257	9,996,639
Available-for-sale financial assets	1,131,946	175,714	17,972	36,991	1,362,623
Held-to-maturity investments	3,304,350	13,911	-	1,900	3,320,161
Debt instruments classified as receivables	672,600	-	390	1	672,991
Other financial assets	168,960	34,341	2,858	1,776	207,935
Total financial assets	19,139,139	799,420	109,440	125,745	20,173,744
Borrowings from central banks	(434,640)	-	-	(1,109)	(435,749)
Deposits from banks and other financial institutions	(881,742)	(20,270)	(29,863)	(161)	(932,036)
Placements from banks and other financial institutions	(49,214)	(170,973)	(55,680)	(19,602)	(295,469)
Financial liabilities held for trading	(20,605)	-	-	-	(20,605)
Financial liabilities designated at fair value through profit or loss	(271,158)	(709)	-	-	(271,867)
Derivative financial liabilities	(2,855)	(6,372)	(416)	(718)	(10,361)
Financial assets sold under repurchase agreements	(79,349)	(36,687)	-	(5,501)	(121,537)
Due to customers	(15,630,939)	(409,418)	(19,592)	(45,000)	(16,104,949)
Debt securities issued	(192,697)	(203,029)	(18,782)	(25,478)	(439,986)
Other financial liabilities	(406,157)	(26,463)	(1,642)	(5,721)	(439,983)
Total financial liabilities	(17,969,356)	(873,921)	(125,975)	(103,290)	(19,072,542)
Net on-balance sheet position	1,169,783	(74,501)	(16,535)	22,455	1,101,202
Net notional amount of derivatives	(73,937)	67,108	35,989	(23,248)	5,912
Credit commitments	1,467,913	222,742	7,212	38,448	1,736,315

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

	31 December 2016				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,756,422	46,480	2,030	6,721	2,811,653
Deposits with banks and other financial institutions	569,193	28,974	3,630	20,868	622,665
Placements with and loans to banks and other financial institutions	476,480	100,020	1	4,448	580,949
Financial assets held for trading	123,426	192	-	-	123,618
Financial assets designated at fair value through profit or loss	283,113	2,140	8,187	897	294,337
Derivative financial assets	5,491	25,501	112	356	31,460
Financial assets held under resale agreements	323,051	-	-	-	323,051
Loans and advances to customers	8,849,459	375,380	64,594	29,931	9,319,364
Available-for-sale financial assets	1,193,761	170,794	11,844	32,482	1,408,881
Held-to-maturity investments	2,860,670	19,843	-	1,639	2,882,152
Debt instruments classified as receivables	624,411	-	135	1	624,547
Other financial assets	159,614	43,831	1,013	1,260	205,718
Total financial assets	18,225,091	813,155	91,546	98,603	19,228,395
Borrowings from central banks	(289,089)	-	(1,342)	(621)	(291,052)
Deposits from banks and other financial institutions	(1,110,244)	(34,464)	(10,976)	(360)	(1,156,044)
Placements from banks and other financial institutions	(60,936)	(194,150)	(33,178)	(13,757)	(302,021)
Financial liabilities held for trading	(17,504)	-	-	-	(17,504)
Financial liabilities designated at fair value through profit or loss	(282,781)	(885)	-	-	(283,666)
Derivative financial liabilities	(18,639)	(172)	(281)	(1,666)	(20,758)
Financial assets sold under repurchase agreements	(190,118)	(12,647)	-	(3,067)	(205,832)
Due to customers	(14,610,341)	(361,250)	(23,866)	(42,544)	(15,038,001)
Debt securities issued	(202,803)	(156,819)	(13,801)	(14,792)	(388,215)
Other financial liabilities	(449,526)	(10,316)	(1,576)	(1,724)	(463,142)
Total financial liabilities	(17,231,981)	(770,703)	(85,020)	(78,531)	(18,166,235)
Net on-balance sheet position	993,110	42,452	6,526	20,072	1,062,160
Net notional amount of derivatives	1,442	614	10,566	(18,232)	(5,610)
Credit commitments	1,385,194	223,195	5,322	20,623	1,634,334

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the condensed consolidated interim statement of financial position.

Group	30 June 2017		31 December 2016	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
5% appreciation	(529)	(63)	(1,892)	(9)
5% depreciation	529	63	1,892	9

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

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC established RMB benchmark interest rates for loans whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 October 2015 for commercial banks.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that potentially impact the PBOC benchmark interest rates;
- Optimizing the management over the differences in timing between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities, with reference to the prevailing PBOC benchmark interest rates where appropriate.

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Interest rate risk (Continued)

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

	30 June 2017						
	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	2,586,825	3,269	12,681	-	-	279,255	2,882,030
Deposits with banks and other financial institutions	98,046	35,287	63,406	381	-	1,672	198,792
Placements with and loans to banks and other financial institutions	102,046	122,214	124,828	36,048	2,708	-	387,844
Financial assets held for trading	14,590	26,048	73,617	43,659	2,383	639	160,936
Financial assets designated at fair value through profit or loss	40,927	51,760	86,302	129,531	51,927	11,590	372,037
Derivative financial assets	-	-	-	-	-	15,452	15,452
Financial assets held under resale agreements	559,385	10,674	22,373	-	-	3,872	596,304
Loans and advances to customers	1,188,824	1,524,203	6,844,172	231,174	208,266	-	9,996,639
Available-for-sale financial assets	65,056	111,736	204,124	642,165	316,819	22,723	1,362,623
Held-to-maturity investments	95,448	130,790	426,557	1,549,188	1,118,178	-	3,320,161
Debt instruments classified as receivables	5,356	18,173	64,777	127,066	457,619	-	672,991
Other financial assets	-	-	-	-	-	207,935	207,935
Total financial assets	4,756,503	2,034,154	7,922,837	2,759,212	2,157,900	543,138	20,173,744
Borrowings from central banks	(24,000)	(108,010)	(302,600)	(1,109)	-	(30)	(435,749)
Deposits from banks and other financial institutions	(613,718)	(141,024)	(110,831)	(66,087)	-	(376)	(932,036)
Placements from banks and other financial institutions	(96,534)	(110,810)	(84,502)	(3,018)	(605)	-	(295,469)
Financial liabilities held for trading	(138)	(277)	-	-	-	(20,190)	(20,605)
Financial liabilities designated at fair value through profit or loss	(64,220)	(56,841)	(141,078)	(9,688)	(40)	-	(271,867)
Derivative financial liabilities	-	-	-	-	-	(10,361)	(10,361)
Financial assets sold under repurchase agreements	(88,747)	(22,045)	(10,188)	(557)	-	-	(121,537)
Due to customers	(10,449,827)	(839,555)	(2,946,839)	(1,731,083)	(227)	(137,418)	(16,104,949)
Debt securities issued	(51,245)	(96,847)	(116,397)	(20,562)	(154,935)	-	(439,986)
Other financial liabilities	-	-	-	-	-	(439,983)	(439,983)
Total financial liabilities	(11,388,429)	(1,375,409)	(3,712,435)	(1,832,104)	(155,807)	(608,358)	(19,072,542)
Interest rate gap	(6,631,926)	658,745	4,210,402	927,108	2,002,093	(65,220)	1,101,202

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Interest rate risk (Continued)

	31 December 2016						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,538,115	4,836	16,262	-	-	252,440	2,811,653
Deposits with banks and other financial institutions	189,386	168,262	261,871	1,051	-	2,095	622,665
Placements with and loans to banks and other financial institutions	161,388	93,665	290,302	35,594	-	-	580,949
Financial assets held for trading	9,323	19,037	57,624	34,741	2,557	336	123,618
Financial assets designated at fair value through profit or loss	13,386	41,993	43,614	98,920	88,651	7,773	294,337
Derivative financial assets	-	-	-	-	-	31,460	31,460
Financial assets held under resale agreements	274,766	26,276	18,137	-	-	3,872	323,051
Loans and advances to customers	3,744,515	1,438,931	3,706,198	217,857	211,863	-	9,319,364
Available-for-sale financial assets	63,969	107,182	248,715	630,290	340,522	18,203	1,408,881
Held-to-maturity investments	56,045	112,776	319,438	1,338,194	1,055,699	-	2,882,152
Debt instruments classified as receivables	2,902	14,960	51,865	107,229	447,591	-	624,547
Other financial assets	-	-	-	-	-	205,718	205,718
Total financial assets	7,053,795	2,027,918	5,014,026	2,463,876	2,146,883	521,897	19,228,395
Borrowings from central banks	(16,342)	(69,000)	(205,059)	(621)	-	(30)	(291,052)
Deposits from banks and other financial institutions	(819,981)	(146,008)	(94,165)	(95,563)	-	(327)	(1,156,044)
Placements from banks and other financial institutions	(132,599)	(97,112)	(68,183)	(4,127)	-	-	(302,021)
Financial liabilities held for trading	(393)	(524)	-	-	-	(16,587)	(17,504)
Financial liabilities designated at fair value through profit or loss	(77,589)	(63,996)	(125,422)	(16,621)	(38)	-	(283,666)
Derivative financial liabilities	-	-	-	-	-	(20,758)	(20,758)
Financial assets sold under repurchase agreements	(193,068)	(12,004)	(760)	-	-	-	(205,832)
Due to customers	(9,350,819)	(1,185,810)	(2,637,484)	(1,705,236)	(6)	(158,646)	(15,038,001)
Debt securities issued	(40,107)	(61,302)	(85,162)	(46,033)	(155,611)	-	(388,215)
Other financial liabilities	-	-	-	-	-	(463,142)	(463,142)
Total financial liabilities	(10,630,898)	(1,635,756)	(3,216,235)	(1,868,201)	(155,655)	(659,490)	(18,166,235)
Interest rate gap	(3,577,103)	392,162	1,797,791	595,675	1,991,228	(137,593)	1,062,160

(Amounts in millions of Renminbi, unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (Continued)

52.3 Market risk (Continued)

Interest rate risk (Continued)

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

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

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

	30 June 2017		31 December 2016	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(42,277)	(38,869)	(24,271)	(40,354)
- 100 basis points	42,277	38,869	24,271	40,354

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

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

52.4 Insurance risk

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

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

53 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

The "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC 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 CBRC 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 CBRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the 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 CBRC 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 CBRC. Required information related to capital levels and utilization is filed quarterly with the CBRC.

(Amounts in millions of Renminbi, unless otherwise stated)

53 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period is as follows:

		30 June 2017	31 December 2016
Common Equity Tier-one Capital Adequacy Ratio	(1)	10.58%	10.38%
Tier-one Capital Adequacy Ratio	(1)	11.25%	11.06%
Capital Adequacy Ratio	(1)	13.16%	13.04%
Common Equity Tier-one Capital	(2)	1,275,891	1,238,683
Deductible Items from Common Equity Tier-one Capital	(3)	(7,510)	(7,653)
Net Common Equity Tier-one Capital		1,268,381	1,231,030
Additional Tier-one Capital	(4)	79,905	79,904
Net Tier-one Capital		1,348,286	1,310,934
Tier-two Capital	(5)	229,910	235,566
Net Capital		1,578,196	1,546,500
Risk-weighted Assets	(6)	11,988,609	11,856,530

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).

53 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.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 30 June 2017 and 31 December 2016.

54.1 Valuation technique, input and process

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

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

- If not traded in active markets, fair values of financial assets and financial liabilities are determined 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 Finance Market Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

During the interim period, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

54.2 Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

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

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central bank, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

54.3 Financial assets and financial liabilities not measured at fair value on the condensed consolidated interim statement of financial position (Continued)

	30 June 2017				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Held-to-maturity investments	3,320,161	3,285,298	1,606	3,283,692	-
Debt instruments classified as receivables (excluding receivable from the MOF and special government bond)	307,668	301,158	-	145,210	155,948
Subtotal	3,627,829	3,586,456	1,606	3,428,902	155,948
Financial liabilities					
Bonds issued	193,964	196,358	3,417	192,941	-
Subtotal	193,964	196,358	3,417	192,941	-

	31 December 2016				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Held-to-maturity investments	2,882,152	2,892,525	1,528	2,890,997	-
Debt instruments classified as receivables (excluding receivable from the MOF and special government bond)	259,224	257,948	-	117,334	140,614
Subtotal	3,141,376	3,150,473	1,528	3,008,331	140,614
Financial liabilities					
Bonds issued	202,107	202,084	10,392	191,692	-
Subtotal	202,107	202,084	10,392	191,692	-

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value.

	30 June 2017			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Debt securities	-	115,806	-	115,806
- Precious metal contracts	-	45,130	-	45,130
Subtotal	-	160,936	-	160,936
Financial assets designated at fair value through profit or loss				
- Debt securities	8,675	204,120	1,412	214,207
- Deposits with banks and other financial institutions	-	-	45,228	45,228
- Placements with and loans to banks and other financial institutions	-	-	91,021	91,021
- Others	1,425	-	20,156	21,581
Subtotal	10,100	204,120	157,817	372,037
Derivative financial assets				
- Exchange rate derivatives	-	12,775	27	12,802
- Interest rate derivatives	-	694	8	702
- Precious metal contracts and others	-	1,948	-	1,948
Subtotal	-	15,417	35	15,452
Available-for-sale financial assets				
- Debt securities	42,435	1,298,834	37	1,341,306
- Equity instruments	4,038	-	2,627	6,665
- Fund investments	4,074	-	-	4,074
- Others	-	-	10,282	10,282
Subtotal	50,547	1,298,834	12,946	1,362,327
Total assets	60,647	1,679,307	170,798	1,910,752
Financial liabilities held for trading				
- Financial liabilities related to precious metals	-	(20,605)	-	(20,605)
Financial liabilities designated at fair value through profit or loss				
- Principal guaranteed wealth management products	-	-	(265,071)	(265,071)
- Overseas debt securities	-	(6,776)	-	(6,776)
- Credit-linked Notes	-	(20)	-	(20)
Subtotal	-	(6,796)	(265,071)	(271,867)
Derivative financial liabilities				
- Exchange rate derivatives	-	(9,138)	(48)	(9,186)
- Interest rate derivatives	-	(600)	(8)	(608)
- Precious metal contracts	-	(567)	-	(567)
Subtotal	-	(10,305)	(56)	(10,361)
Total liabilities	-	(37,706)	(265,127)	(302,833)

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Debt securities	-	108,095	-	108,095
- Precious metal contracts	-	15,523	-	15,523
Subtotal	-	123,618	-	123,618
Financial assets designated at fair value through profit or loss				
- Debt securities	6,256	163,137	1,850	171,243
- Deposits with banks and other financial institutions	-	-	40,953	40,953
- Placements with and loans to banks and other financial institutions	-	-	58,485	58,485
- Others	1,456	1,710	20,490	23,656
Subtotal	7,712	164,847	121,778	294,337
Derivative financial assets				
- Exchange rate derivatives	-	25,153	54	25,207
- Interest rate derivatives	-	1,042	19	1,061
- Precious metal contracts and others	-	5,192	-	5,192
Subtotal	-	31,387	73	31,460
Available-for-sale financial assets				
- Debt securities	46,517	1,343,906	255	1,390,678
- Equity instruments	3,482	-	1,567	5,049
- Fund investments	7,015	-	-	7,015
- Others	-	-	5,818	5,818
Subtotal	57,014	1,343,906	7,640	1,408,560
Total assets	64,726	1,663,758	129,491	1,857,975
Financial liabilities held for trading				
- Financial liabilities related to precious metals	-	(17,504)	-	(17,504)
Financial liabilities designated at fair value through profit or loss				
- Principal guaranteed wealth management products	-	-	(283,666)	(283,666)
Derivative financial liabilities				
- Exchange rate derivatives	-	(19,650)	(113)	(19,763)
- Interest rate derivatives	-	(585)	(19)	(604)
- Precious metal contracts	-	(391)	-	(391)
Subtotal	-	(20,626)	(132)	(20,758)
Total liabilities	-	(38,130)	(283,798)	(321,928)

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options and precious metal contracts. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps and currency options are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts 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 wealth management products 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 in Mainland China. The credit assets are loans and advances to corporate customers in Mainland China. As not all of the inputs needed to estimate the fair value of these deposits, placements and credit assets are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to the credit assets are those parameter with regard to credit risk and liquidity. Level 3 financial liabilities largely represented liabilities to the investors of these products and the unobservable inputs mainly represented those related to the credit risk of the Group. 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 2017 and the year ended 31 December 2016.

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 2017				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available - for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2017	121,778	73	7,640	(283,666)	(132)
Purchases	91,519	-	11,696	-	-
Issues	-	-	-	(1,178,842)	-
Settlements/disposals	(57,632)	(23)	(6,381)	1,201,753	54
Total gain/(loss) recognized in					
- Profit or loss	2,152	(15)	(9)	(4,316)	22
- Other comprehensive income	-	-	-	-	-
30 June 2017	157,817	35	12,946	(265,071)	(56)
Change in unrealized gain/(loss) for the period included in profit or loss for assets/liabilities held at the end of the period	548	(10)	(42)	8	66

(Amounts in millions of Renminbi, unless otherwise stated)

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

	2016				
	Financial assets designated at fair value through profit or loss	**Derivative financial assets**	**Available - for-sale financial assets**	**Financial liabilities designated at fair value through profit or loss**	**Derivative financial liabilities**
1 January 2016	216,565	58	3,631	(406,407)	(91)
Purchases	487,191	-	5,995	-	-
Issues	-	-	-	(1,758,926)	-
Settlements/disposals	(588,006)	(11)	(1,999)	1,891,502	14
Total gain/(loss) recognized in					
- Profit or loss	6,028	26	-	(9,835)	(55)
- Other comprehensive income	-	-	13	-	-
31 December 2016	121,778	73	7,640	(283,666)	(132)
Change in unrealized gain/(loss) for the year included in profit or loss for assets/liabilities held at the end of the year	(657)	21	-	175	(47)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net (loss)/gain on financial instruments designated at fair value through profit or loss of the condensed consolidated interim income statement.

55 EVENTS AFTER THE REPORTING PERIOD

The establishment of ABC Financial Asset Investment Co., Ltd.(the “AMC”), a wholly-owned subsidiary of the Bank with registered capital of RMB10 billion, was approved by the CBRC on 27 July 2017. The AMC has completed its business registration in Beijing on 1 August 2017 and its principal activities are implementation of debt-to-equity swap (“DES”) and other related businesses.

AGRICULTURAL BANK OF CHINA LIMITED
(Incorporated in the People's Republic of China with Limited Liability)

Unaudited Supplementary Financial Information
For the six months ended 30 June 2017

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

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 2017	31 March 2017
Average Liquidity Coverage Ratio	131.2%	139.8%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
30 June 2017				
Spot assets	800,730	109,637	124,924	1,035,291
Spot liabilities	(867,549)	(125,559)	(102,572)	(1,095,680)
Forward purchases	837,879	74,527	65,598	978,004
Forward sales	(679,493)	(38,538)	(88,672)	(806,703)
Net options position	(91,278)	-	(174)	(91,452)
Net long position	289	20,067	(896)	19,460
Net structural position	5,199	7,360	1,531	14,090

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2016				
Spot assets	796,141	91,772	99,101	987,014
Spot liabilities	(770,531)	(84,739)	(76,865)	(932,135)
Forward purchases	727,185	53,211	47,571	827,967
Forward sales	(635,018)	(42,645)	(65,803)	(743,466)
Net options position	(91,553)	-	-	(91,553)
Net long position	26,224	17,599	4,004	47,827
Net structural position	3,426	6,133	1,541	11,100

(Amounts in millions of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	Officia sector	Non-bank private sector	Total
30 June 2017				
Asia Pacific	71,514	25,522	116,150	213,186
- of which attributable to Hong Kong	22,271	10,336	83,282	115,889
Europe	31,753	8,240	28,164	68,157
North and South America	161,444	48,200	183,886	393,530
Africa	639	-	-	639
Total	265,350	81,962	328,200	675,512

	Banks	Officia sector	Non-bank private sector	Total
31 December 2016				
Asia Pacific	85,923	19,290	99,834	205,047
- of which attributable to Hong Kong	31,327	6,606	63,763	101,696
Europe	34,844	3,763	36,331	74,938
North and South America	162,511	48,612	175,762	386,885
Africa	640	-	279	919
Total	283,918	71,665	312,206	667,789

(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 2017	31 December 2016
Overdue		
within 3 months	78,052	79,545
between 3 and 6 months	22,974	29,080
between 6 and 12 months	48,323	57,388
over 12 months	122,147	108,622
Total	271,496	274,635
Percentage of overdue loans and advances to customers in total loans		
within 3 months	0.75%	0.82%
between 3 and 6 months	0.22%	0.30%
between 6 and 12 months	0.46%	0.59%
over 12 months	1.18%	1.12%
Total	2.61%	2.83%

(2) Overdue and rescheduled loans and advances to customers

	30 June 2017	31 December 2016
Total rescheduled loans and advances to customers	53,454	52,491
Including: rescheduled loans and advances to customers overdue for not more than 3 months	17,803	17,437
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months to total loans	0.17%	0.18%

(3) Gross amount of overdue placements with and loans to banks and other financial institutions

The gross amount of the Group's overdue placements with and loans to banks and other financial institutions as at 30 June 2017 and 31 December 2016 were not material.