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中国农业银行

AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED

中國農業銀行股份有限公司

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

(Stock Code: 1288)

2015 Annual Results Announcement

The board of directors (the “**Board**” or “**Board of Directors**”) of Agricultural Bank of China Limited (the “**Bank**”) is pleased to announce the audited results of the Bank and its subsidiaries (together the “**Group**”) for the year ended 31 December 2015, which was prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board, and the proposed cash dividend for the year of 2015. The annual results have been reviewed by the Audit and Compliance Committee of the Board of Directors of the Bank. This announcement contains the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the preliminary announcements of annual results. The printed version of the 2015 annual report of the Bank will be published and delivered to the H share holders of the Bank and will also be available for view on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Bank at www.abchina.com in April 2016.

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

Beijing, the PRC
31 March, 2016

As at the date of this announcement, our executive directors are Mr. ZHAO Huan, Mr. CAI Huaxiang and Mr. LOU Wenlong; our non-executive directors are Mr. ZHAO Chao, Mr. ZHOU Ke, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong; and our independent non-executive directors are Mr. Frederick MA Si-hang, Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan, Ms. XIAO Xing and Mr. LU Jianping.

Profile

The predecessor of the Bank is 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, which marked the completion of our transformation into a public shareholding commercial bank.

As one of the major integrated financial service providers in China, the Bank is committed to building a multi-functional and integrated modern financial service group. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a range 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 life insurance. At the end of 2015, the Bank had total assets of RMB17,791,393 million, loans and advances to customers of RMB8,909,918 million and deposits of RMB13,538,360 million. Our capital adequacy ratio was 13.40%. The Bank achieved a net profit of RMB180,774 million in 2015.

The Bank had 23,670 domestic branch outlets at the end of 2015, 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), 362 tier-2 branches (including business departments of branches in provinces), 3,513 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), 19,698 foundation-level branch outlets, and 55 other establishments. Our overseas branch outlets consisted of nine overseas branches and three overseas representative offices. The Bank had fourteen major subsidiaries, including nine domestic subsidiaries and five overseas subsidiaries.

The Bank was included in the list of Global Systemically Important Banks for two consecutive years since 2014. In 2015, the Bank ranked No. 36 in Fortune's Global 500, and ranked No. 6 in The Banker's "Top 1000 World Banks" list in terms of tier 1 capital. The Bank's issuer credit ratings were assigned A/A-1 by Standard & Poor's; the Bank's deposits ratings were assigned A1/P-1 by Moody's Investors Service; and the long-/short-term issuer default ratings were assigned A/F1 by Fitch Ratings.

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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/We/Our Bank/the Group/the Bank/
Agricultural Bank of China | Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries |
| 3. Articles of Association | The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 14 August 2014 |
| 4. Basis point(s) | A unit of measure related to the change in an interest rate or exchange rate, which is equivalent to 0.01% |
| 5. CASs/PRC GAAP | The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations 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 employed to measure the weighted average term of cash flows of debt securities, which mainly reflects the sensitivity of the value of debt securities to interest rate movements
12. Economic capital	Capital allocated to assets or business for the purpose of mitigating risks based on internal assessment of the management of commercial banks
13. Global Systemically Important Banks	Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board
14. H Share(s)	Shares listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi
15. Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
16. Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
17. Huijin	Central Huijin Investment Ltd.
18. Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
19. MOF	Ministry of Finance of the People's Republic of China
20. PBOC	The People's Bank of China
21. Sannong	Agriculture, rural areas and farmers
22. SSF	National Council for Social Security Fund of the People's Republic of China

Basic Corporate Information and Major Financial Indicators

Basic Corporate Information

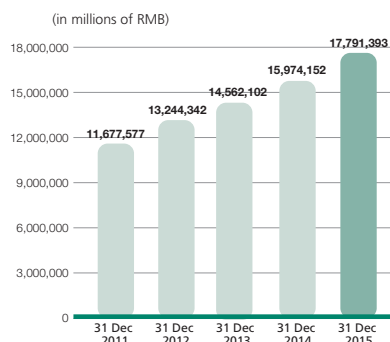
Legal name in Chinese	中國農業銀行股份有限公司
Abbreviation	中國農業銀行
Legal name in English	AGRICULTURAL BANK OF CHINA LIMITED
Abbreviation	AGRICULTURAL BANK OF CHINA (ABC)
Authorized representative	ZHAO Huan ZHANG Keqiu
Board Secretary and Company Secretary	ZHANG Keqiu Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85108557 E-mail: ir@abchina.com
Registered office address	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC
Postal code	100005
Hotline for customer service and compliant	95599
Internet website	www.abchina.com
Principal place of business in Hong Kong	25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
Selected media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of Shanghai Stock Exchange publishing the annual report (A share)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the annual report (H share)	www.hkexnews.hk
Location where copies of the annual 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 legal advisor	King & Wood Mallesons Lawyers
Address	40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing
Name of Hong Kong legal advisor	Davis Polk & Wardwell Hong Kong Solicitors
Address	18/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong
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 Accountant	WANG Wei, JIANG Kun
Name of international auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong
Name of sponsor for continuous supervision	CITIC Securities Co., Ltd.
Address	Times Square Excellence II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province
Names of the undersigned representatives of the sponsor	ZHOU Yu, SHAO Xianghui
Duration of continuous supervision	From 14 November 2014 to 31 December 2016

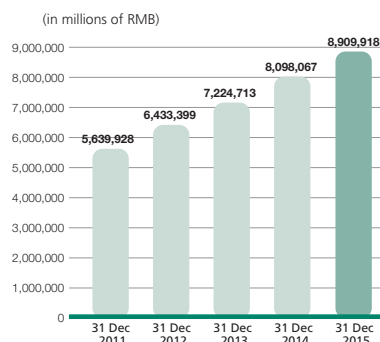
Financial Highlights

The financial data and indicators presented in this results announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and denominated in RMB, unless otherwise noted.

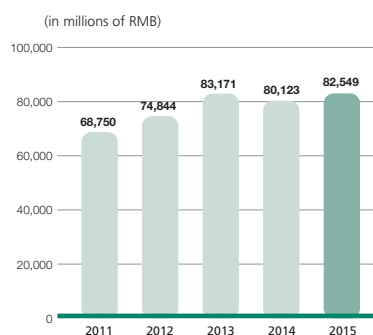
Total assets



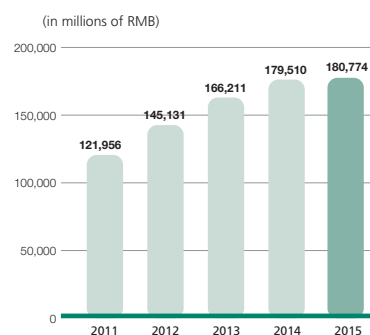
Total loans and advances to customers



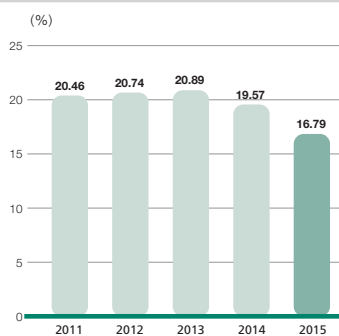
Net fee and commission income



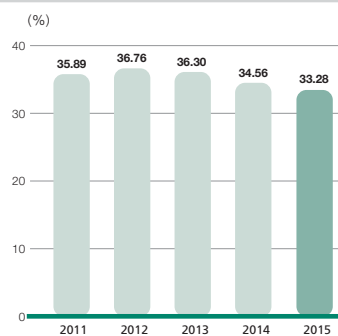
Net profit



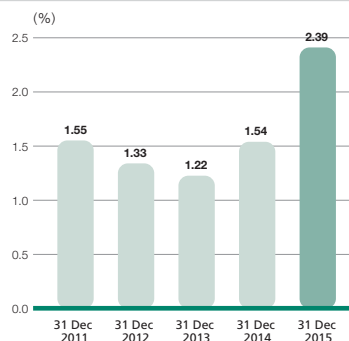
Return on weighted average net assets



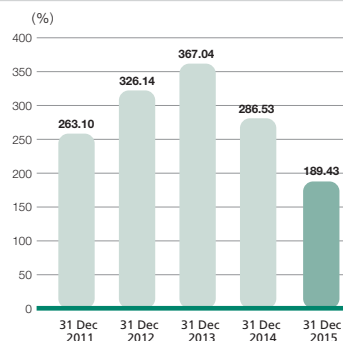
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Financial Data

	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
At the end of the reporting period					
(in millions of RMB)					
Total assets	17,791,393	15,974,152	14,562,102	13,244,342	11,677,577
Total loans and advances to					
customers	8,909,918	8,098,067	7,224,713	6,433,399	5,639,928
Corporate loans	5,378,404	5,147,410	4,728,857	4,427,989	3,989,570
Discounted bills	356,992	157,349	92,823	107,601	102,545
Retail loans	2,727,890	2,396,639	2,093,305	1,707,323	1,430,520
Overseas and others	446,632	396,669	309,728	190,486	117,293
Allowance for impairment losses					
on loans	403,243	358,071	322,191	279,988	229,842
Loans and advances to customers, net	8,506,675	7,739,996	6,902,522	6,153,411	5,410,086
Investment in securities and					
other financial assets, net	4,512,047	3,575,630	3,220,098	2,856,148	2,628,052
Cash and balances with central banks	2,587,057	2,743,065	2,603,802	2,613,111	2,487,082
Deposits and placements with and					
loans to banks and					
other financial institutions	1,202,175	979,867	706,333	485,613	344,557
Financial assets held under					
resale agreements	471,809	509,418	737,052	814,620	529,440
Total liabilities	16,579,508	14,941,533	13,717,565	12,492,988	11,027,789
Deposits from customers	13,538,360	12,533,397	11,811,411	10,862,935	9,622,026
Corporate deposits	4,821,751	4,437,283	4,311,407	3,980,483	3,643,562
Retail deposits	8,065,556	7,422,318	6,923,647	6,421,876	5,626,077
Overseas and others	651,053	673,796	576,357	460,576	352,387
Deposits and placements from banks					
and other financial institutions	1,537,660	1,056,064	903,717	934,073	724,236
Financial assets sold under					
repurchase agreements	88,804	131,021	26,787	7,631	92,079
Debt securities issued	382,742	325,167	266,261	192,639	119,390
Equity attributable to equity holders					
of the Bank	1,210,091	1,031,066	843,108	749,815	649,601
Net capital ¹	1,471,620	1,391,559	1,074,967	910,048	763,010
Common Equity Tier 1					
(CET1) capital, net ¹	1,124,690	986,206	838,473	N/A	N/A
Additional Tier 1 capital, net ¹	79,902	39,946	1	N/A	N/A
Tier 2 capital, net ¹	267,028	365,407	236,493	N/A	N/A
Risk-weighted assets ¹	10,986,302	10,852,619	9,065,631	7,216,178	6,388,375

	2015	2014	2013	2012	2011
Operating results for the year					
(in millions of RMB)					
Operating income	540,862	524,126	465,771	424,964	379,756
Net interest income	436,140	429,891	376,202	341,879	307,199
Net fee and commission income	82,549	80,123	83,171	74,844	68,750
Operating Expenses	225,818	223,898	198,607	182,802	157,330
Impairment losses on assets	84,172	67,971	52,990	54,235	64,225
Total profit	230,857	232,257	214,174	187,927	158,201
Net profit	180,774	179,510	166,211	145,131	121,956
Net profit attributable to equity holders of the Bank	180,582	179,461	166,315	145,094	121,927
Net cash generated from operating activities	820,348	34,615	32,879	319,058	223,004

Financial Indicators

	2015	2014	2013	2012	2011
Profitability (%)					
Return on average total assets ²	1.07	1.18	1.20	1.16	1.11
Return on weighted average net assets ³	16.79	19.57	20.89	20.74	20.46
Net interest margin ⁴	2.66	2.92	2.79	2.81	2.85
Net interest spread ⁵	2.49	2.76	2.65	2.67	2.73
Return on risk-weighted assets ^{1,6}	1.65	1.65	1.83	2.01	1.91
Net fee and commission income to operating income	15.26	15.29	17.86	17.61	18.10
Cost-to-income ratio ⁷	33.28	34.56	36.30	36.76	35.89

Data per share (RMB Yuan)

Basic earnings per share ³	0.55	0.55	0.51	0.45	0.38
Diluted earnings per share ³	0.55	0.55	0.51	0.45	0.38
Net cash per share generated from operating activities	2.53	0.11	0.10	0.98	0.69

31 December 31 December 31 December 31 December 31 December
2015 2014 2013 2012 2011

Asset Quality (%)

Non-performing loan ratio ⁸	2.39	1.54	1.22	1.33	1.55
Allowance to non-performing loans ⁹	189.43	286.53	367.04	326.14	263.10
Allowance to total loans ¹⁰	4.53	4.42	4.46	4.35	4.08

Capital adequacy (%)

Common Equity Tier 1 (CET1)

capital adequacy ratio ¹	10.24	9.09	9.25	N/A	N/A
Tier 1 capital adequacy ratio ¹	10.96	9.46	9.25	N/A	N/A
Capital adequacy ratio ¹	13.40	12.82	11.86	12.61	11.94
Risk-weighted assets to total assets ratio ¹	61.75	67.94	62.25	54.48	54.71
Total equity to total assets ratio	6.81	6.46	5.80	5.67	5.56

Data per share (RMB Yuan)

Net assets per share	3.48	3.05	2.60	2.31	2.00
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- Notes:*
- Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations after 2013. Figures were calculated in accordance with the Rules on Capital Adequacy Ratio of Commercial Banks and other relevant regulations before 2013. Excess loan loss provisions calculated in accordance with the Capital Rules for Commercial Banks (Provisional) were qualified as Tier 2 capital. That is, during the parallel run period, while calculating the credit risk-weighted asset by the Internal Ratings-Based (IRB) approach in the full year, the amount of excess loan loss provisions beyond the provision coverage ratio cap of 150% were all qualified as Tier 2 capital. Besides, with the requirement of capital floor adjustment coefficients as 95%, the difference between excess loan loss provisions qualified as Tier 2 capital calculated using the advanced capital measurement approach and those calculated using other approaches was multiplied by 9.52 and recorded in risk-weighted assets.
 - Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.
 - Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the CSRC.
 - Calculated by dividing net interest income by the average balances of interest-earning assets.
 - Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
 - Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.
 - 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 domestic financial report of the Bank.
 - Calculated by dividing the balance of non-performing loans by that of total loans and advances to customers.
 - Calculated by dividing the allowance for impairment losses on loans by the balance of non-performing loans.
 - Calculated by dividing the allowance for impairment losses on loans by the balance of total loans and advances to customers.

Other Financial Indicators

		Regulatory Standard	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Liquidity ratio ¹ (%)	RMB	≥25	44.50	44.02	43.57	44.75	40.18
	Foreign Currency	≥25	115.15	72.49	114.95	161.78	154.66
Percentage of loans to the largest single customer ² (%)		≤10	7.15	5.23	3.33	3.59	2.80
Percentage of loans to top ten customers ³ (%)			16.82	14.43	13.22	15.76	16.31
Loan migration ratio ⁴ (%)	Normal		4.96	3.60	2.53	2.49	2.26
	Special mention		18.28	4.99	4.36	4.65	2.61
	Substandard		86.94	42.53	37.24	21.79	14.82
	Doubtful		10.35	10.10	8.62	4.96	5.41

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

Quarterly Data

2015 (in millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	140,643	135,666	133,835	130,718
Net profit attributable to equity holders of the Bank	54,116	50,199	48,895	27,372
Net cash generated from/(used in) operating activities	385,266	135,082	(9,171)	309,171

Honours and Awards

Organizations



Honours and Awards

2015 Best Green Bond

Best Bank for Small Enterprise Lending

Best Cash Management
Best Finance Company

Best Listed Company

Outstanding Bond Dealer of
Shanghai Stock Exchange for 2015

Banking Technology Development Award for 2014

Top 10 Financial Social Marketing Cases in 2015
Best Financial WeChat Public Platform in 2015
Best Electronic Bank of China for 2015
Best Online Banking Function in China for 2015

Fourth among the Top 500 Global Banking Brands
in 2016

Eighth among the Top 100 Most Valuable
Chinese Brands in 2016

Organizations



Honours and Awards

Top 10 Innovative Financial Products
(Retail Banking)

CSR Chinese Culture Award
(Best Strategic Philanthropy) for 2015

Best “Sannong” Banking Service of the Year

Excellent Chinese Bank for 2015

Best Banking Innovative Wealth Management Product
in China for 2015

Best Banking Open-ended Wealth Management
Product in China for 2015

Best Service for Credit Cards
(Upgraded Pretty Mother Credit Card)

Best Asian Bank of Financial Market Innovation
for 2015

Best Corporate Culture for 2015

Best Banking Brand of Wealth Management for 2015

Best Bank of Service Innovation for 2015

Organizations



Honours and Awards

Public Welfare Financial Institution of the Year

State-owned Commercial Bank of
Excellent Competitiveness for 2015
Retail Bank of Excellent Competitiveness for 2015

Best Universal Bank for 2015
Best Bank of Internet Finance for 2015

Outstanding Private Bank

Best Cross-Border RMB Settlement Bank

Top 50 Employers for University Graduates in
China of 2015
Top 15 Employers of Banking Industry

Best Financial Institution for Social Responsibility
Performance in 2014
Best Social Responsibility Case for 2014
Outstanding Charity and Public Welfare Project
for 2014
Advanced Unit of Legal Risk Management in
Banking Industry of China
Outstanding Contribution to Civilized and
Normalized Services of Banking Industry
in China for 2015

Top 10 Women-caring Enterprises

President's Statement

In 2015, confronted with the challenging situations of economic downturn and increased risk exposure, we conscientiously managed our businesses to be consistent with the government's macro-economic control policies and pursued a broad objective of achieving progress through steady development. Focusing on serving Sannong and the real economy, we accelerated business transformation and structural adjustment, and also continued to consolidate our management basics and risk control. We tapped the internal potential of our organization and human resources to improve our efficiency by learning from the experience of our peers and maturing through effectively addressing difficult situations. As a result, we maintained steady growth in all lines of business and successfully achieved our operating targets for the year. At the end of 2015, total assets of the Bank were RMB17.79 trillion, an increase of 11.4% over the end of the previous year. The net profit for the year amounted to RMB180,774 million, an increase of 0.7% over the previous year.

We firmly adhered to our business strategy of serving Sannong through continuous improvement of service quality. Consistent with the trend of agriculture modernization and scaling of production, we strengthened financial services for leading and new operators in the agricultural business. Our financial services expanded to cover 82% of the leading agricultural industrialization corporations at the national level and 61% of those at the provincial level. We supported total 349 thousand large-scale professional operators and family farms, as well as 81 thousand agricultural cooperatives and their members. Loans granted to large-scale professional operators and family farms increased by 112%. A range of efforts were made related to financial assistance for poverty relief. A series of assistance policies were introduced for specific areas, including Tibet and Xinjiang provinces, as well as Bijie in Guizhou province. The growth of loans in 832 major counties requiring poverty relief was 2.18 percentage points higher than the Bank average. We provided more financial services to support the development of new-type urbanization and "Beautiful Counties" construction. The balance of loans to urbanization projects of County Areas was RMB435.7 billion. Moreover, we actively developed innovative rural financial products in land property rights related to agriculture, rights to earnings by entrustment, and equity interests. We also explored new business models for supporting agriculture, such as credit enhancement by the government, interbank cooperation and "Internet Plus". As a result, the competitiveness of our County Area Banking Business was consolidated and improved.

Capitalizing on our advantages in comprehensive financial services, we diligently performed our key role as a major bank in stabilizing growth, restructuring the economy, and benefiting people's livelihood. We introduced implementation plans to support the strategies underpinning the "One Belt and One Road", "Yangtze River economic belt" and "Coordinated Development of the Beijing-Tianjin-Hebei Region", as well as policies and measures to support emerging strategic industries and modern service sectors. We preferentially allocated resources to major industries, customers and projects and successfully supported several major projects, including the development of the new airport in Beijing. Newly granted loans for major projects accounted for 51% of newly granted corporate loans. We strengthened our support to small and micro enterprises to encourage popular entrepreneurship and innovation. Loans to small and micro enterprises

increased by RMB113,308 million, with their growth rate 1.6 percentage points higher than the Bank average. Further, we exerted additional efforts in delivering financial services related to people's livelihood, such as the rebuilding of shanty areas and residential mortgage loans. Loans for the rebuilding of shanty areas increased by 64.3%, while that of residential mortgage loans was 14.3 percentage points higher than the Bank average. New types of financing, including PPP and industrial funds were introduced. RMB687.9 billion was raised through the issuance of bonds and wealth management products for the real economy, which enabled enterprises to optimize their financing structure and reduce their financing costs.

We accelerated the development of emerging businesses and fostered new driving forces for growth. To effectively address the impact of the liberalization of interest rates on our traditional profit model, we strengthened our investment, financing and trading businesses. We also optimized our flow operations. We steadily promoted the transformation of our wealth management business to evolve towards a higher proportion of open-ended products, and the balance of our wealth management business was about RMB1.58 trillion, and income increased by 30%. We proactively implemented our globalization strategy in a prudent manner. We put significant effort into expanding our business related to the 'GO OUT' development strategy and free trade zones, as developing cross-border and diversified operations. The total volume of international settlement amounted to more than USD1 trillion, while the growth rates of total assets and net profit of overseas institutions were 28.6% and 16.2%, respectively. We enhanced the development of an integrated operating platform, comprised of investment banking, funds, insurance, and leasing, to stimulate the professional and distinctive development of our subsidiaries. The net profit of our four subsidiaries increased by 41.6%. Moreover, innovative applications of internet finance were accelerated. The proportion of financial transactions conducted through electronic channels reached 93% and income from electronic banking increased by 21%.

In view of the challenging risk conditions, we adhered to our risk limitation through strictly controlling increases in non-performing loans. The management accountability mechanism related to non-performing loans was strictly implemented to prevent non-performing loans from increasing too quickly. We strengthened the specific risk management aspects of key areas, such as guarantee "circles", "hidden" group customers, and improper sales of wealth management products. We also enhanced the management of loans to Industries with high energy consumption, high pollution or overcapacity through the rigorous management of customer lists and credit limits. We flexibly adopted a range of measures, such as loan restructuring and refinancing, to promptly eliminate potential risks. New approaches were used to improve the efficiency of debt disposal, including collection activities, write-offs, and market-oriented disposals. Through reducing existing non-performing loans and controlling new ones, we maintained the stability of our overall asset quality. At the end of the year, the allowance to non-performing loans and the allowance to total loans were 189.43% to 4.53%, respectively, reflecting our strong capacity for risk resistance.

We also tapped the internal potentials of our organization and human resources to improve our efficiency, while promoting a change in our business model oriented towards being “asset-light” and “capital-light”. The cost-to-income ratio of the Bank decreased by 1.28 percentage points while the capital adequacy ratio increased by 58 basis points. We focused on strengthening our management basics and foundation-level institutions, so as to achieve compliance in our operations and consolidate our management lines of defence. The restructuring of integrated counter services, promotion of “Super counters”, and “Three standards and three rules” proceeded steadily. Moreover, after completing the development of a new-generation core business IT system, our capability supported by IT and big data was significantly improved.

Difficulties will be easily overcome as long as we firmly maintain our aspirations. Although we have a long way to go, we will persevere through tireless efforts. 2016 is the initial year of China’s 13th Five-Year Plan. It is also a pivotal year in the transformation of the Bank. With new concepts for development, we will proactively support the reform of supply-side economic restructuring and major tasks of cutting overcapacity and excess inventory, deleveraging, reducing costs and strengthening point of weakness. We will improve financial services provided to Sannong and the real economy to achieve reciprocal developments of the Bank and the real economy. With the objective of establishing ourselves as a multi-functional and integrated modern financial service group, we will strive to deepen the reforms of our management system and mechanisms, push forward innovations in financial services, consolidate internal control, and more strictly control risk and cost, so as to achieve competitive and catalytic growth in all lines of business and create more value to the shareholders, customers, staff, and society as a whole.

President: ZHAO Huan
31 March 2016

Discussion and Analysis

Environment and Prospects

In 2015, the global economy was still undergoing a period of deep adjustment for rebalancing. The economic recovery and economic policies among different economies continued to diverge and the volatility of financial markets was further intensified. According to the forecasts of International Monetary Fund in January 2016, the growth rate of the global economy in 2015 was 3.1%, 0.3 percentage point lower than that of the previous year. Economies in developed countries saw moderate recovery. The U.S. economy had a relatively solid foundation for economic growth as the Federal Reserve began to exit from the exceptionally loose monetary policies when it raised the interest rates as expected at the end of the year. The economies in the Eurozone were recovering under quantitative easing policies but remained still under the shadow of deflation. The Japanese economy saw significant fluctuation and was under the pressure of inflation and economic downturn. The economic growth of developing countries experienced a further slowdown in general due to capital outflow and a plunge in commodity prices. Over the year, the Dow Jones Industrial Average Index dropped by 2.23% whereas European STOXX50 Index and Nikkei 225 Index increased by 3.21% and 9.07%, respectively. The USD Index showed a strongly upward trend as it increased by 9.34% over the year. Commodity prices trended downward with fluctuation and the CRB Spot Market Price Index significantly decreased by 14.4% over the year.

In 2015, the Chinese economy was overall stable. Economic restructuring was underway while the emerging industries, new industrial and business models developed rapidly. The annual GDP increased by 6.9% to RMB67.67 trillion, a decrease of 0.4 percentage point as compared to the previous year. Total fixed asset investment and total retail sales of consumer goods recorded a year-on-year growth of 10.0% and 10.7%, respectively, whereas export recorded a year-on-year drop of 1.8%, a decrease of 5.7, 1.3 and 6.7 percentage points, respectively, as compared to the previous year. Economic restructuring accelerated. The contribution of final consumption to GDP growth was over 60% while the added value of tertiary industry accounted for 50.5% of the GDP, representing an increase of 2.4 percentage points as compared to the previous year. Vitality of the service industry increased. There was a surge of popular entrepreneurship and innovation. The industrial structure was optimized by the fact that the industries with high technology gained significant growth in the slowdown economic environment, and regions and industries with high resilience, low stocks and progressive economic structure saw stronger economic growth. Consumer price index (CPI) remained low and recorded a year-on-year increase of 1.4% in 2015, a drop of 0.6 percentage point as compared to the previous year. The industries had increasingly higher deflation pressure and PPI recorded a year-on-year decrease of 5.2%, marking negative growth for four consecutive years. In 2015, the money supply (M2) was 13.3% and total social financing was RMB15.4 trillion in China.

In response to the complicated and dynamic domestic and overseas economic environment, the PRC government persists in the principle of making progress through steady development and continued prudent monetary policies and aggressive fiscal policies. After five interest rate cuts by the PBOC, financing costs of credit and bonds had been reduced and market interest rates brought low. Breakthrough progresses were made in the reform of the financial market. The removal of the ceiling of deposit interest rates marked a critical step of the liberalization of interest rates. The quoting price mechanism of mid-point exchange rate of RMB against USD was optimized such that market factors played a more decisive role in the determination of exchange rate. The liquidity of foreign exchange and cross-border capital flow was put under prudent macro-management. The deposit insurance system was steadily launched. RMB was included as one of the Special Drawing Rights (SDR) currency of IMF.

In 2015, the banking industry of China actively understudied, adjusted to and grasped opportunities arising from the new normal in China's economic development. Focusing on stabilizing growth, restructuring the economy, improving people's livelihood and preventing risks, the banking industry of China was committed to improving the quality and efficiency of its development. Remarkable achievements were made in supporting the real economy and the manufacturing power construction, taking targeted measures to help people lift themselves out of poverty, improving financial services to agricultural-related and medium and micro enterprises, and promoting coordinated development of different regions. At the end of 2015, the total assets of the banking industry of China amounted to RMB199.3 trillion, an increase of 15.7% over the end of last year. Loans amounted to RMB94.0 trillion, an increase of 14.3% over the end of last year.

According to the forecasts of International Monetary Fund in January 2016, the growth rate of the global economy in 2016 will be increased to 3.4% from 3.1% in 2015. The global economy will be further restructured and divergent. It is expected that the U.S. economy will continue to grow moderately as a result of high liquidity and recovering housing and labour markets. The Fed is expected to raise interest rates at a slow and gradual pace against the backdrop of the staggered economic growth in Europe and emerging countries. Against the background of quantitative easing policy, the economy of the Eurozone is expected to hover in a low growth range. Japan's economic growth is expected to improve as a result of fiscal support, falling oil price, high liquidity conditions and increased income. After interest rate hikes by the Fed, the economic growth of emerging economies will be under great pressure due to capital outflows and currency depreciation.

Looking forward to 2016, the economy of China is expected to stabilize gradually along with new growth drivers generating and further deepening structural reforms. The traditional consumption maintains its steady and fine momentum while new consumption of endowment, tourism and healthcare increases more rapidly. The consumption and service industries are becoming the pivotal engines for China's continuous economic growth. Affected by cutting down excessive production capacity and unsold properties, the investment in fixed assets is expected to grow at a slow pace. Fuelled by the depreciation of the RMB and refunding export taxes, the export is expected to pick up slightly. The deflation pressure of the Chinese economy is expected to ease due to weaker effect of imported downward pressure on prices which is a result from stabilized commodity prices at low levels, and improving demand of the downstream industries.

In 2016, China will focus on pushing forward the reform of supply-side economic restructuring while moderately boosting its total demand. Macro-economic policies will be implemented to stabilize growth, restructure the economy, improve people's livelihood and prevent risks so as to establish a stable economic environment for structural reform. Fiscal policies will be more proactive. Structural tax cuts will continue. Fiscal deficit will increase by stages. Monetary policies will be more focused on flexibility and moderation, which are properly pre-adjusted and promptly fine-tuned so as to enhance their effectiveness and flexibility. In addition, monetary policies will be more focused on allowing market forces to play a decisive role in resource allocation through reform and innovation, in order to improve the operational efficiency of finance and its ability to serve the real economy.

The relevant policies, plans and projects related to "the 13th Five-year Plan", a strategy of innovation-driven development and supply-side reform, will be implemented, which will bring new opportunities and challenges to the Bank's reform and development. In 2016, the Bank will proactively explore new path for transformation and development, while better serving the overall interest of the country in stabilizing growth, restructuring the economy, improving people's livelihood and preventing risks.

- (i) Innovative development. The Bank will adhere to the philosophy of development driven by innovation and dedicate itself to building a business culture of being brave in and adept at innovation. The Bank will consistently improve innovation and competitiveness of emerging businesses to cultivate core competitiveness.
- (ii) Coordinated development. The Bank will adhere to the philosophy of coordinated development and refine the operational structure of balanced businesses. It will coordinate development between Urban and County Areas, as well as collaborative development within the Group, so as to achieve diversified, balanced and sustainable business development.
- (iii) Green development. The Bank will actively explore the path of green development and largely support the development of low-carbon industries, green industries and environmental protection industries, with an aim to develop itself into a unique and leading green finance bank.
- (iv) Comprehensive development. Leveraging the advantages of its subsidiaries in fund management, investment banking, leasing and insurance, the Bank can provide customers with comprehensive financial services and further diversify its income resources.
- (v) Intensive development. Firmly establishing the concepts of capital constraint and cost constraint, the bank will accelerate the refining of its business process and resource allocation, so as to effectively reduce operation costs and improve operational efficiency.

Financial Statement Analysis

Income Statement Analysis

In 2015, we achieved a net profit of RMB180,774 million, representing an increase of RMB1,264 million or 0.7% over the previous year.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	2015	2014	Increase/ (decrease)	Growth rate (%)
Net interest income	436,140	429,891	6,249	1.5
Net fee and commission income	82,549	80,123	2,426	3.0
Other non-interest income	22,173	14,112	8,061	57.1
Operating income	540,862	524,126	16,736	3.2
Less: operating expenses	225,818	223,898	1,920	0.9
Impairment losses on assets	84,172	67,971	16,201	23.8
Operating profit	230,872	232,257	(1,385)	-0.6
Share of result of associate	(15)	—	(15)	—
Profit before tax	230,857	232,257	(1,400)	-0.6
Less: Income tax expense	50,083	52,747	(2,664)	-5.1
Net Profit	180,774	179,510	1,264	0.7
Attributable to:				
Equity holders of the Bank	180,582	179,461	1,121	0.6
Non-controlling interests	192	49	143	291.8

Net Interest Income

Net interest income is the largest component of our operating income, accounting for 80.6% of the total in 2015. Our net interest income was RMB436,140 million in 2015, representing an increase of RMB6,249 million as compared to the previous year. The changes in volume and interest rates resulted in an increase of RMB49,592 million and a decrease of RMB43,343 million in net interest income, respectively. In 2015, the net interest margin was 2.66% and the net interest spread was 2.49%, which decreased by 26 and 27 basis points compared to the previous year, respectively. The decreases in net interest margin and net interest spread were primarily due to the consecutive reduction of interest rates by the PBOC and the decline in the yield of lending compared to the previous year.

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	Average balance	2015 Interest income/expense	Average yield/cost (%)	Average balance	2014 Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	8,633,586	476,988	5.52	7,768,137	470,829	6.06
Debt securities investments ¹	3,665,564	147,882	4.03	3,129,864	125,161	4.00
Non-restructuring-related debt securities	3,294,083	136,475	4.14	2,674,907	110,961	4.15
Restructuring-related debt securities ²	371,481	11,407	3.07	454,957	14,200	3.12
Balances with central banks	2,517,511	39,745	1.58	2,508,561	40,018	1.60
Amounts due from banks and other financial institutions ³	1,566,387	61,178	3.91	1,290,817	63,281	4.90
Total interest-earning assets	16,383,048	725,793	4.43	14,697,379	699,289	4.76
Allowance for impairment losses ⁴	(385,312)			(342,809)		
Non-interest-earning assets ⁴	973,294			864,443		
Total assets	16,971,030			15,219,013		
Liabilities						
Deposits from customers	12,865,645	233,377	1.81	11,997,284	221,706	1.85
Amounts due to banks and other financial institutions ⁵	1,698,281	43,398	2.56	1,185,258	36,510	3.08
Other interest-bearing liabilities ⁶	375,815	12,878	3.43	321,079	11,182	3.48
Total interest-bearing liabilities	14,939,741	289,653	1.94	13,503,621	269,398	2.00
Non-interest-bearing liabilities ⁴	1,051,534			902,096		
Total liabilities	15,991,275			14,405,717		
Net interest income		436,140			429,891	
Net interest spread			2.49			2.76
Net interest margin			2.66			2.92

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

2. Restructuring-related debt securities include amounts receivable from the MOF and special PRC government bonds.

3. Amounts due from banks and other financial institutions primarily include deposits and 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 represent 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 and financial assets sold under repurchase agreements.

6. Other interest-bearing liabilities are principally comprised of debt securities issued and borrowings from central bank.

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/ (decrease)
	Volume	Interest Rate	
Assets			
Loans and advances to customers	47,814	(41,655)	6,159
Debt securities investments	21,612	1,109	22,721
Balances with central banks	141	(414)	(273)
Amounts due from banks and other financial institutions	10,763	(12,866)	(2,103)
Changes in interest income	80,330	(53,826)	26,504
Liabilities			
Deposits from customers	15,752	(4,081)	11,671
Amounts due to banks and other financial institutions	13,110	(6,222)	6,888
Other interest-bearing liabilities	1,876	(180)	1,696
Changes in interest expense	30,738	(10,483)	20,255
Changes in net interest income	49,592	(43,343)	6,249

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

Interest Income

We recorded interest income of RMB725,793 million in 2015, representing an increase of RMB26,504 million over the previous year. The increase in interest income was primarily due to the increase in the average balances of interest-earning assets by RMB1,685,669 million, partially offset by a decrease of 33 basis points in the average yield.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB6,159 million or 1.3% over the previous year to RMB476,988 million. The increase was primarily due to growth of RMB865,449 million in the average balances.

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

In millions of RMB, except for percentages

Item	2015			2014		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	5,375,881	308,531	5.74	5,001,898	314,983	6.30
Short-term corporate loans	2,267,447	123,082	5.43	2,213,212	135,746	6.13
Medium- and long-term corporate loans	3,108,434	185,449	5.97	2,788,686	179,237	6.43
Discounted bills	252,083	10,765	4.27	100,021	5,786	5.78
Retail loans	2,558,245	145,036	5.67	2,281,146	138,398	6.07
Overseas and others	447,377	12,656	2.83	385,072	11,662	3.03
Total loans and advances to customers	8,633,586	476,988	5.52	7,768,137	470,829	6.06

Interest income from corporate loans decreased by RMB6,452 million, or 2.0%, to RMB308,531 million compared to the previous year. The decrease was primarily due to the decrease of 56 basis points in the average yield. Interest income from retail loans increased by RMB6,638 million, or 4.8%, to RMB145,036 million compared to the previous year. The increase was primarily due to the increase of RMB277,099 million in the average balances, partially offset by a decrease of 40 basis points in the average yield. The decreases in the average yield of corporate loans and retail loans were principally due to the re-pricing of loans and lower interest rates for newly originated loans as a result of six consecutive reductions of interest rates by the PBOC since November 2014.

Interest income from discounted bills increased by RMB4,979 million, or 86.1%, to RMB10,765 million compared to the previous year. The increase was primarily due to the increase of RMB152,062 million in the average balances, partially offset by a decrease of 151 basis points in the average yield. The decrease in average yield was mainly due to a decrease in the interest rate of discounted bills in the market compared to the previous year resulting from the decline of interest rates.

Interest income from overseas and other loans increased by RMB994 million, or 8.5%, to RMB12,656 million compared to the previous year. The increase was primarily due to growth of RMB62,305 million in the average balances.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In 2015, interest income from debt securities investments increased by RMB22,721 million from the previous year to RMB147,882 million. The increase was primarily due to growth of RMB535,700 million in the average balances and a rise of 3 basis points in the average yield. The increase in the average yield was primarily because we continuously refined the structure of our portfolio of debt securities investments, resulting the increase of overall return compared to the previous year.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB273 million to RMB39,745 million compared to the previous year. The decrease was primarily due to a decrease of 2 basis points in the average yield.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions decreased by RMB2,103 million to RMB61,178 million compared to the previous year. The decrease was primarily due to a decrease of 99 basis points in the average yield. The decrease in the average yield was primarily due to the decline in the yield of lending compared to the previous year resulting from the decline of market interest rates.

Interest Expense

Interest expense increased by RMB20,255 million to RMB289,653 million compared to the previous year. The increase was primarily due to growth of RMB1,436,120 million in the average balances, partially offset by a decrease of 6 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB11,671 million to RMB233,377 million compared to the previous year. The increase was primarily due to growth of RMB868,361 million in the average balances, partially offset by a decrease of 4 basis points in the average cost. The decrease in the average cost was primarily because (1) the interest rates of new deposits were lower after consecutive reductions of interest rates by the PBOC; and (2) the Bank strengthened management of deposit pricing to strictly control interest costs.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

Item	Average balance	2015	Average cost (%)	Average balance	2014	Average cost (%)
		Interest expense			Interest expense	
Corporate deposits						
Time	1,964,384	62,730	3.19	1,783,471	60,780	3.41
Demand	3,033,507	20,848	0.69	2,922,036	21,084	0.72
Sub-Total	4,997,891	83,578	1.67	4,705,507	81,864	1.74
Retail deposits						
Time	4,219,163	136,561	3.24	3,822,982	127,366	3.33
Demand	3,648,591	13,238	0.36	3,468,795	12,476	0.36
Sub-Total	7,867,754	149,799	1.90	7,291,777	139,842	1.92
Total deposits from customers						
	12,865,645	233,377	1.81	11,997,284	221,706	1.85

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB6,888 million to RMB43,398 million compared to the previous year. The increase was primarily due to growth of RMB513,023 million in the average balances, partially offset by a decline of 52 basis points in the average cost. The decline in average cost was primarily due to the Bank's great efforts in marketing settlement deposits from banks and other financial institutions with low cost while restricting the scale of liabilities with high cost, which effectively lowered the cost of amounts due to banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB1,696 million to RMB12,878 million compared to the previous year. The increase was primarily due to growth in the average balances by RMB54,736 million. The growth in average balances was primarily due to the Bank's regular borrowing by lending facility from the PBOC, as well as the issuance of medium-term notes and certificates of deposit by overseas branches.

Net Fee and Commission Income

In 2015, we generated net fee and commission income of RMB82,549 million, representing an increase of RMB2,426 million or 3.0% compared to the previous year. The proportion of net fee and commission income to our operating income was 15.26%.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2015	2014	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	17,714	21,123	(3,409)	-16.1
Consultancy and advisory fees	8,892	11,031	(2,139)	-19.4
Agency commissions	28,628	22,945	5,683	24.8
Bank card fees	20,689	19,279	1,410	7.3
Electronic banking service fees	8,962	7,379	1,583	21.5
Credit commitment fees	2,547	2,807	(260)	-9.3
Custodian and other fiduciary service fees	2,857	3,114	(257)	-8.3
Others	205	205	—	—
Fee and commission income	90,494	87,883	2,611	3.0
Less: Fee and commission expenses	7,945	7,760	185	2.4
Net fee and commission income	82,549	80,123	2,426	3.0

Settlement and clearing fees decreased by RMB3,409 million or 16.1% to RMB17,714 million compared to the previous year. The decrease was primarily due to effect of the regulatory policies regarding service fees and channel distribution.

Consultancy and advisory fees decreased by RMB2,139 million, or 19.4%, to RMB8,892 million compared to the previous year. The decrease was primarily due to a decline in income from investment banking businesses as a result of more exemption and reduction of fees.

Agency commissions increased by RMB5,683 million, or 24.8%, to RMB28,628 million compared to the previous year. The increase was primarily due to the rapid growth in wealth management business conducted on behalf of customers and bancassurance.

Bank card fees increased by RMB1,410 million, or 7.3%, to RMB20,689 million compared to the previous year. The increase was primarily due to the rapid growth in credit card installment business and the merchants acquiring business.

Electronic banking service fees increased by RMB1,583 million, or 21.5%, to RMB8,962 million compared to the previous year. The increase was primarily due to the rapid growth in income from e-commerce.

Credit commitment fees decreased by RMB260 million, or 9.3%, to RMB2,547 million compared to the previous year. The decrease was primarily due to the exemption of certain guarantee and commitment fees as the Bank exerted more efforts in the exemption and reduction of fees.

Custodian and other fiduciary service fees decreased by RMB257 million, or 8.3%, to RMB2,857 million compared to the previous year. The decrease was primarily because the Bank exerted more efforts in the exemption and reduction of fees.

Other Non-interest Income

In 2015, other non-interest income amounted to RMB22,173 million, representing an increase of RMB8,061 million over the previous year.

Net trading gains amounted to RMB3,562 million, representing an increase of RMB1,654 million over the previous year. The increase was primarily due to the increase in gains on derivative financial instruments.

Net gain on financial instruments designated as at fair value through profit or loss amounted to RMB1,727 million, representing an increase of RMB222 million compared to the previous year. The increase was primarily related to the increase in gain on principal guaranteed wealth management products.

Net gain on investment in securities amounted to RMB857 million, representing an increase of RMB522 million over the previous year. The increase was primarily due to the increase in gain on the equity investment of ABC Life Insurance Co., Ltd.

Other operating income amounted to RMB16,027 million, representing an increase of RMB5,663 million over the previous year. The increase was primarily related to the increase in income from insurance premium of ABC Life Insurance Co., Ltd.

Composition of Other Non-interest Income

<i>In millions of RMB</i>		
Item	2015	2014
Net trading gain	3,562	1,908
Net gain on financial instruments designated at fair value through profit or loss	1,727	1,505
Net gain on investment securities	857	335
Other operating income	16,027	10,364
Total	22,173	14,112

Operating expenses

In 2015, our operating expenses amounted to RMB225,818 million, representing an increase of RMB1,920 million compared to the previous year, and the cost-to-income ratio was 33.28%, representing a decrease of 1.28 percentage points compared to the previous year.

Staff costs were RMB110,349 million, representing a decrease of RMB1,120 million, or 1.0%, compared to the previous year. The decrease was primarily due to the impact of any difference arising from the changes in assumptions of benefit obligation.

General operating and administrative expenses decreased by RMB734 million, or 1.5%, compared to the previous year to RMB48,461 million. The decrease was primarily because our operating expenses remained stable with a slight decline as we strengthened our cost management.

Depreciation and amortization increased by RMB305 million, or 1.6%, to RMB19,633 million compared to the previous year, primarily because we kept increasing our expenditure on the construction of branch outlets and electronic channels in recent years. This also, resulted in a corresponding increase in depreciable assets.

Insurance benefits and claims increased by RMB4,080 million, or 104.5%, from the previous year to RMB7,984 million. The increase was primarily due to the expansion of the scale of insurance business.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	2015	2014	Increase/ (decrease)	Growth rate (%)
Staff costs	110,349	111,469	(1,120)	-1.0
General operating and administrative expenses	48,461	49,195	(734)	-1.5
Business tax and surcharges	29,075	28,880	195	0.7
Depreciation and amortization	19,633	19,328	305	1.6
Insurance benefits and claims	7,984	3,904	4,080	104.5
Provision for guarantees and commitments	3,084	8,898	(5,814)	-65.3
Provision for risk incidents and legal proceedings	5,509	471	5,038	1,069.6
Others	1,723	1,753	(30)	-1.7
Total	225,818	223,898	1,920	0.9

Impairment Losses on Assets

In 2015, impairment losses on assets increased by RMB16,201 million to RMB84,172 million compared to the previous year. Impairment losses on loans increased by RMB16,834 million to RMB81,897 million compared to the previous year, primarily due to an increase in the allowance for impairment losses on loans assessed on an individual basis compared to the previous year.

Income Tax Expense

In 2015, our income tax expense amounted to RMB50,083 million, representing a decrease of RMB2,664 million, or 5.1%, compared to the previous year. The effective tax rate was 21.69% in 2015. The decrease in income tax expense and the lower effective tax rate compared to the statutory tax rate were primarily due to the growth in income exempted from enterprise income tax, including interest income from PRC treasury bonds and local government bonds, compared to the previous year.

Segment Information

We assessed our performance and determined the allocation of resources based on the segment reports. The segment information below has been presented in the same manner as the basis of internal management and reporting. At present, we manage all segments from the perspectives 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	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	275,396	50.9	280,701	53.6
Retail banking business	196,679	36.4	189,876	36.2
Treasury operations	55,756	10.3	45,686	8.7
Other business	13,031	2.4	7,863	1.5
Total operating income	540,862	100.0	524,126	100.0

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

In millions of RMB, except for percentages

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	58,921	10.9	58,530	11.2
Yangtze River Delta	105,085	19.4	102,013	19.4
Pearl River Delta	72,080	13.3	69,685	13.3
Bohai Rim	84,219	15.6	82,726	15.8
Central China	68,802	12.7	68,023	13.0
Western China	113,351	21.0	112,468	21.4
Northeastern China	20,242	3.7	19,219	3.7
Overseas and others	18,162	3.4	11,462	2.2
Total operating income	540,862	100.0	524,126	100.0

Note: Please refer to “Note IV. 44 Operating Segments” to the financial statements for details of geographic segments.

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

In millions of RMB, except for percentages

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	200,879	37.1	198,078	37.8
Urban Area Banking Business	339,983	62.9	326,048	62.2
Total operating income	540,862	100.0	524,126	100.0

Balance Sheet Analysis

Assets

At 31 December 2015, our total assets amounted to RMB17,791,393 million, representing an increase of RMB1,817,241 million, or 11.4%, compared to the end of the previous year. Net loans and advances to customers increased by RMB766,679 million, or 9.9%. Net investment in securities and other financial assets increased by RMB936,417 million, or 26.2%. Cash and balances with central banks decreased by RMB156,008 million, or 5.7%, primarily due to the decrease in the mandatory deposit reserve of the Bank, resulting from the consecutive decreases of the deposit reserve ratio by the PBOC. Deposits and placements with and loans to banks and other financial institutions increased by RMB222,308 million, or 22.7%, which was mainly due to the rise in lending in order to optimize our capital utilization efficiency. Financial assets held under resale agreements decreased by RMB37,609 million, or 7.4%, primarily due to the decrease in bonds held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	8,909,918	—	8,098,067	—
Less: Allowance for impairment losses on loans	403,243	—	358,071	—
Loans and advances to customers, net	8,506,675	47.8	7,739,996	48.4
Investment in securities and other financial assets, net	4,512,047	25.4	3,575,630	22.4
Cash and balances with central banks	2,587,057	14.5	2,743,065	17.2
Deposits and placements with and loans to banks and other financial institutions	1,202,175	6.8	979,867	6.1
Financial assets held under resale agreements	471,809	2.6	509,418	3.2
Others	511,630	2.9	426,176	2.7
Total assets	17,791,393	100.0	15,974,152	100.0

Loans and Advances to Customers

At 31 December 2015, our total loans and advances to customers amounted to RMB8,909,918 million, representing an increase of RMB811,851 million or 10.0% over the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	8,463,286	95.0	7,701,398	95.1
Corporate loans	5,378,404	60.4	5,147,410	63.6
Discounted bills	356,992	4.0	157,349	1.9
Retail loans	2,727,890	30.6	2,396,639	29.6
Overseas and others	446,632	5.0	396,669	4.9
Total	8,909,918	100.0	8,098,067	100.0

Corporate loans amounted to RMB5,378,404 million, representing an increase of RMB230,994 million or 4.5% over the end of the previous year, primarily because we achieved steady growth in corporate loans as we enhanced support for key customers, high priority national projects and targeted development areas to promote the transformation and upgrading of the economy and coordinated development of different regions in response to changes of the demand for loans.

Retail loans amounted to RMB2,727,890 million, representing an increase of RMB331,251 million or 13.8% over the end of the previous year. This was primarily due to the increasing demand for residential mortgage loans as a result of the recovery of real estate market.

Discounted bills amounted to RMB356,992 million, representing an increase of RMB199,643 million or 126.9% over the end of the previous year, primarily because we appropriately expanded discounted bills in response to market conditions.

Overseas and other loans amounted to RMB446,632 million, representing an increase of RMB49,963 million, or 12.6%, over the end of the previous year, mainly due to the rapid increase in loans of overseas branches.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	2,283,318	42.5	2,203,208	42.8
Medium- and long-term corporate loans	3,095,086	57.5	2,944,202	57.2
Total	5,378,404	100.0	5,147,410	100.0

Short-term corporate loans increased by RMB80,110 million, or 3.6%, over the end of the previous year, primarily due to an increase in loans to financial industry. Medium- and long-term corporate loans increased by RMB150,884 million, or 5.1%, over the end of the previous year. The proportion of these loans to total corporate loans increased by 0.3 percentage point to 57.5%.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,367,358	25.4	1,391,090	27.0
Production and supply of power, heat, gas and water	592,832	11.0	528,725	10.3
Real estate ¹	526,408	9.8	581,072	11.3
Transportation, logistics and postal services	893,535	16.6	756,578	14.7
Wholesale and retail	504,342	9.4	530,896	10.3
Water, environment and public utilities management	205,021	3.8	207,977	4.0
Construction	210,539	3.9	207,823	4.0
Mining	249,938	4.7	255,099	5.0
Leasing and commercial services	453,344	8.4	395,085	7.7
Finance	130,682	2.4	55,881	1.1
Information transmission, software and IT services	26,929	0.5	16,785	0.3
Others ²	217,476	4.1	220,399	4.3
Total	5,378,404	100.0	5,147,410	100.0

- Notes:*
1. Classification of the loans in the table above is based on the industries in which the borrowers operate. Real estate loans include loans for the development of real estate projects by enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans to enterprises in the real estate industry.
 2. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

During the reporting period, we improved the effectiveness of industrial credit policies by strengthening research on industries, refining the indicator approach in our industrial credit policies, and establishing an evaluation model for industry competitiveness. In line with national development strategies and macro-economic control policies, we actively supported the upgrading and transformation of the national industrial structure and traditional industries. We also increased loans to high growth and emerging industries, as well as for the improvement of people's livelihood. We also adhered to the principle of green credit. Our industry structure was further improved as we implemented list-based management of key industries and customers. We also implemented credit limit management to industries with high energy consumption, high pollution or overcapacity.

At 31 December 2015, the five major industries reflected in our corporate loan portfolio were comprised of (1) manufacturing; (2) transportation, logistics and postal services; (3) production and supply of power, heat, gas and water; (4) real estate; and (5) wholesale and retail. Aggregate loans to the five major industries accounted for 72.2% of our total corporate loans, representing a decrease of 1.4 percentage points over the end of the previous year, reflecting a decrease in industry concentration. The industries with the largest increase in proportion to our total corporate loans portfolio were transportation, logistics and postal services and finance, while manufacturing experienced the largest proportionate decrease.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	1,927,018	70.7	1,550,673	64.7
Personal consumption loans	179,453	6.6	204,044	8.5
Loans to private businesses	230,223	8.4	263,085	11.0
Credit card balances	222,206	8.1	222,865	9.3
Loans to rural households	167,695	6.1	154,609	6.4
Others	1,295	0.1	1,363	0.1
Total	2,727,890	100.0	2,396,639	100.0

At 31 December 2015, our residential mortgage loans increased by RMB376,345 million or 24.3% over the end of the previous year to RMB1,927,018 million, primarily because we achieved steady growth in residential mortgage loans by actively supporting households in purchasing small- and medium-sized condominiums to be sold at low and medium price level for non-investment purpose for the first time or to improve current living conditions, in response to the benchmark interest rate cuts by the PBOC and gradual increase in demand of residential properties.

Personal consumption loans decreased by RMB24,591 million, or 12.1%, over the end of the previous year to RMB179,453 million, primarily due to the decrease in personal comprehensive credit granting loans.

Loans to private businesses decreased by RMB32,862 million, or 12.5%, over the end of the previous year to RMB230,223 million, primarily due to the decrease in loans to financing the private businesses.

Credit card balances decreased by RMB659 million, or 0.3%, over the end of the previous year to RMB222,206 million, primarily due to the decrease in transaction volume for credit card installment business.

Loans to rural households increased by RMB13,086 million, or 8.5%, over the end of the previous year to RMB167,695 million, mainly because we supported the business transformation of new agricultural business entities, resulting in the steady growth of loans to rural households.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	215,418	2.4	147,721	1.8
Yangtze River Delta	2,048,393	23.0	1,918,523	23.7
Pearl River Delta	1,263,044	14.2	1,110,104	13.7
Bohai Rim	1,463,574	16.4	1,382,065	17.1
Central China	1,132,516	12.7	1,019,212	12.6
Northeastern China	364,412	4.1	314,039	3.9
Western China	1,975,929	22.2	1,809,734	22.3
Overseas and others	446,632	5.0	396,669	4.9
Total	8,909,918	100.0	8,098,067	100.0

During the reporting period, the Bank optimized the allocation of loans, with priorities given to Central and Western China. We implemented a strategic allocation of credit to branches in free trade zones and major regions related to national development strategies, such as the “One Belt and One Road”, “Coordinated Development of the Beijing-Tianjin-Hebei Region” and Yangtze River economic belt, resulting in further optimization of our geographic distribution of loans.

Investments

At 31 December 2015, our net investment in securities and other financial assets increased by RMB936,417 million, or 26.2%, to RMB4,512,047 million over the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	3,849,480	85.3	2,859,170	80.0
Restructuring-related debt securities	365,323	8.1	371,614	10.4
Equity instruments	9,308	0.2	4,000	0.1
Others ¹	287,936	6.4	340,846	9.5
Total	4,512,047	100.0	3,575,630	100.0

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

At 31 December 2015, non-restructuring-related debt securities investments increased by RMB990,310 million over the end of the previous year, primarily because based on macro-economic analysis and market researches, we captured investment opportunities of the market and appropriately increased our investment in debt securities.

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

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	1,231,289	32.0	693,588	24.3
PBOC bills	21,404	0.6	20,625	0.7
Bonds issued by policy banks	1,481,902	38.4	1,364,811	47.7
Bonds issued by other banks and financial institutions	490,978	12.8	255,140	8.9
Bonds issued by entities in public sectors and quasi-governments	157,024	4.1	125,381	4.4
Corporate bonds	466,883	12.1	399,625	14.0
Total	3,849,480	100.0	2,859,170	100.0

In 2015, in accordance with an appropriate investment schedule, we moderately made adjustments to our investments in government bonds and increased investments in local government bonds, inter-bank certificates of deposit and high rated credit bonds.

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

In millions of RMB, except for percentages

Remaining Maturity	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	1	—	1	—
Less than 3 months	183,959	4.8	152,080	5.3
3–12 months	585,009	15.2	386,888	13.5
1–5 years	1,865,430	48.4	1,471,887	51.5
More than 5 years	1,215,081	31.6	848,314	29.7
Total	3,849,480	100.0	2,859,170	100.0

In 2015, consistent with the movement of market bond yields, we appropriately adjusted the maturity structure of our debt securities portfolio. We moderately increased our investments in medium- and long-term debt securities when the yield of the bonds was high, while appropriately adjusting our investments in short-term bonds.

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

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,709,060	96.4	2,787,707	97.5
USD	100,809	2.6	55,055	1.9
Other foreign currencies	39,611	1.0	16,408	0.6
Total	3,849,480	100.0	2,859,170	100.0

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss ¹	439,261	9.7	414,660	11.6
Available-for-sale financial assets	1,214,542	26.9	927,903	26.0
Held-to-maturity investments	2,300,824	51.0	1,710,950	47.8
Debt securities classified as receivables	557,420	12.4	522,117	14.6
Total	4,512,047	100.0	3,575,630	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 PRC policy banks, commercial banks and other financial institutions, that are to be repaid pursuant to a pre-determined schedule. At 31 December 2015, the balance of financial bonds was RMB1,972,880 million, including bonds of RMB1,481,902 million issued by the policy banks and of RMB490,978 million issued by commercial banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 31 December 2015.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance ¹
2014 policy bank bonds	18,710	5.44%	2019/4/8	—
2015 policy bank bonds	16,700	3.97%	2025/2/27	—
2014 policy bank bonds	13,600	5.61%	2021/4/8	—
2014 policy bank bonds	12,350	5.67%	2024/4/8	—
2015 policy bank bonds	11,860	4.21%	2025/4/13	—
2013 policy bank bonds	11,200	3.98%	2016/7/18	—
2015 policy bank bonds	11,160	4.02%	2020/1/14	—
2015 policy bank bonds	11,090	3.99%	2025/2/9	—
2013 policy bank bonds	10,475	4.17%	2023/7/18	—
2014 policy bank bonds	10,240	5.75%	2019/1/14	—

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

Liabilities

At 31 December 2015, our total liabilities increased by RMB1,637,975 million or 11.0%, over the end of the previous year to RMB16,579,508 million. Deposits from customers increased by RMB1,004,963 million or 8.0%. Deposits and placements from banks and other financial institutions increased by RMB481,596 million or 45.6%, primarily because we moderately expanded deposits from non-bank financial institutions according to the capital market conditions. Financial assets sold under repurchase agreements decreased by RMB42,217 million or 32.2%, primarily due to the decrease in debt securities sold under repurchase agreements. Debt securities issued increased by RMB57,575 million, or 17.7%, primarily due to the increase in newly issued bonds by overseas branches. Financial liabilities at fair value through profit or loss increased by RMB57,950 million or 15.6%, primarily because we catered to the needs of wealth management customers with high net-worth through the combination of various liability instruments.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	13,538,360	81.7	12,533,397	83.9
Deposits and placements from banks and other financial institutions	1,537,660	9.3	1,056,064	7.0
Financial assets sold under repurchase agreements	88,804	0.5	131,021	0.9
Debt securities issued	382,742	2.3	325,167	2.2
Financial liabilities at fair value through profit or loss	430,443	2.6	372,493	2.5
Other liabilities	601,499	3.6	523,391	3.5
Total	16,579,508	100.0	14,941,533	100.0

Deposits from customers

At 31 December 2015, deposits from customers increased by RMB1,004,963 million or 8.0%, over the end of the previous year to RMB13,538,360 million. In terms of customer structure, the proportion of retail deposits increased by 0.4 percentage point compared to the end of the previous year to 59.6%. In terms of maturity structure, the proportion of demand deposits increased by 0.3 percentage point compared to the end of the previous year to 52.6%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	13,449,015	99.3	12,458,606	99.4
Corporate deposits	4,821,751	35.6	4,437,283	35.4
Time	1,599,187	11.8	1,430,020	11.4
Demand	3,222,564	23.8	3,007,263	24.0
Retail deposits	8,065,556	59.6	7,422,318	59.2
Time	4,166,985	30.8	3,876,021	30.9
Demand	3,898,571	28.8	3,546,297	28.3
Other deposits ¹	561,708	4.1	599,005	4.8
Overseas and others	89,345	0.7	74,791	0.6
Total	13,538,360	100.0	12,533,397	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	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	74,161	0.5	77,854	0.6
Yangtze River Delta	2,974,911	22.0	2,763,374	22.0
Pearl River Delta	1,846,193	13.6	1,687,296	13.5
Bohai Rim	2,418,137	17.9	2,231,660	17.8
Central China	2,277,151	16.8	2,098,964	16.7
Northeastern China	710,741	5.2	659,561	5.3
Western China	3,147,721	23.3	2,939,897	23.5
Overseas and others	89,345	0.7	74,791	0.6
Total	13,538,360	100.0	12,533,397	100.0

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	7,673,376	56.7	7,046,736	56.2
Less than 3 months	1,681,820	12.4	1,710,174	13.6
3–12 months	2,553,458	18.9	2,363,672	18.9
1–5 years	1,629,705	12.0	1,412,631	11.3
More than 5 years	1	—	184	—
Total	13,538,360	100.0	12,533,397	100.0

Shareholders' Equity

At 31 December 2015, our shareholders' equity amounted to RMB1,211,885 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 RMB22,429 million, surplus reserve of RMB96,748 million, general reserve of RMB175,606 million and retained earnings of RMB412,005 million. Net assets per share were RMB3.48, representing an increase of RMB0.43 over the end of the previous year.

The table below presents the composition of shareholders' equity as of the dates indicated.

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	324,794	26.8	324,794	31.4
Preference shares	79,899	6.6	39,944	3.9
Capital reserve	98,773	8.2	98,773	9.5
Investment revaluation reserve	22,429	1.8	3,118	0.3
Surplus reserve	96,748	8.0	78,594	7.6
General reserve	175,606	14.5	156,707	15.2
Retained earnings	412,005	34.0	329,989	32.0
Foreign currency translation reserve	(163)	—	(853)	(0.1)
Non-controlling interests	1,794	0.1	1,553	0.2
Total	1,211,885	100.0	1,032,619	100.0

Off-Balance Sheet Items

Our off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. We enter into currency rate, interest rate and precious metals related derivative financial instruments for the purposes of trading, asset and liability management and business on behalf of customer. Our contingent liabilities and commitments consist of credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwriting and redemption commitments, mortgaged and pledged assets and legal proceedings.

Credit commitments were the major component of off-balance sheet items and comprised loan commitments, bank acceptances, letters of guarantee issued and guarantees, letters of credit issued and credit card commitments. The size of loan commitments decreased as compared with the end of last year, as the Bank further optimized the allocation of off-balance sheet resources through strengthening plan management, implementing differentiated authorization system and other measures.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	450,433	30.4	441,058	27.9
Bank acceptances	382,255	25.8	418,937	26.4
Letters of guarantee issued and guarantees	233,376	15.7	241,171	15.2
Letters of credit issued	158,905	10.7	227,337	14.4
Credit card commitments	258,745	17.4	254,222	16.1
Total	1,483,714	100.0	1,582,725	100.0

Other Financial Information

Changes in Accounting Policies

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

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

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

Business Review

Corporate Banking

In 2015, the Bank proactively coped with the “new normal” of the economic development and further promoted the transformation of corporate banking business. Closely following the national industrial policies, the Bank strongly supported infrastructure construction projects such as highway, railway and power generation facilities, and chose good projects in strategic emerging industries such as advanced manufacturing industry and energy-saving and environmental protection industry. Serving to the regional development strategies of the PRC government, the Bank formulated policy to facilitate the synergetic cooperation between the regional businesses in Yangtze River Delta and Pearl River Delta to support the development of corporate business in these key regions. The bank also continuously invested more resources to support high quality projects in key construction projects for improvement of people’s livelihood such as rebuilding of shanty areas, old city renovation and construction of affordable housing. In order to further enhance the market competitiveness of our products, we strived to advance product innovation system through formatting new synergy and continued to develop innovative products for key businesses including supply chain financing, cash management and investment banking. The Bank further accelerated the development of database for key marketing projects and enhanced tracking marketing and dimplex marketing. Corporate banking service capability in our foundation-level branch outlets were continuously improved and marketing on corporate customers by all employees were conducted. To facilitate the transformation for investment banking, the Bank proactively launched high-end investment banking businesses, including bond underwriting, asset securitization and syndicated loans. Being the first commercial bank acting as a project sponsor, we successfully completed an asset securitization project for an enterprise customer.

At the end of 2015, we had 3.64 million corporate banking customers, of which 74 thousand customers had outstanding loan balances.

Corporate Loans and Deposits

In 2015, with the efforts in coping with external challenges by securing existing customers and attracting new customers, our corporate deposits maintained a steady growth. At 31 December 2015, the balance of our domestic corporate deposits amounted to RMB4,821,751 million, representing an increase of RMB384,468 million or 8.7% over the end of the previous year. At 31 December 2015, the balance of our domestic corporate loans and discounted bills amounted to RMB5,735,396 million, representing an increase of RMB430,637 million or 8.1% over the end of the previous year.

In response to the national strategy aiming at stabilizing growth, facilitating reforms, restructuring the economy and benefiting people’s livelihood, we strived to serve the real economy through our strategy to target key industries, core customers and large projects. During the reporting period, we accelerated the development of database for key marketing projects, strengthened the reserve and marketing of projects with large scale and high quality, and strongly supported a number of national key construction projects including transportation, energy, hydraulic engineering, urban railway, rebuilding of shanty areas and manufacturing of high-end equipment. At the end of 2015, 2,751 projects were included in our database for key marketing projects, increased by 1,178 projects as

compared to the end of the previous year, and total loans granted amounted to RMB238.6 billion, increased by RMB102.6 billion as compared to the previous year. At the end of 2015, our loans to highway construction industry amounted to RMB428.3 billion, increased by RMB62.0 billion as compared to the end of the previous year, and loans to railway construction industry amounted to RMB276.7 billion, increased by RMB62.6 billion as compared to the end of the previous year.

During the reporting period, the Bank continued to optimize the structure of real estate loans and enhance post-disbursement management to prevent risks related to real estate loans. At 31 December 2015, the balance of real estate loans to corporate customers amounted to RMB357,147 million, representing a decrease of RMB73,874 million over the end of the previous year.

Small and Micro Enterprise Banking Business

The Bank actively responded to the economic development strategy of the PRC of encouraging popular entrepreneurship and innovation and implemented the strategic deployment of assisting small and micro enterprises and serving the real economy by reallocating more financial resources to small and micro enterprise. During the reporting period, we implemented specific operation for key regions, key customers and high quality small and micro enterprises cluster. The Bank formulated a separate credit plan to ensure the loans granted to small and micro enterprises. The special financial needs of small and micro enterprises were satisfied by innovative featured products. New models for financial services of small and micro enterprises were developed by using big data technology. Meanwhile, we further enhanced initiatives in risk prevention and adhere to a strict approach to risk limitation. In 2015, we won a number of advanced individual and advanced unit awards at the “Award Ceremony of Financial Institutions in the Banking Industry of China for the Advanced Financial Services for Small and Micro Enterprises” organized by the CBRC, ranking first among the industry in terms of the number of awards received.

At the end of 2015, loans to small and micro enterprises amounted to RMB1,088,228 million, representing an increase of RMB113,308 million or 11.6% over the end of the previous year. The growth rate was higher than that of the total loans of the Bank by 1.6 percentage points.

Institutional Banking

As of the end of 2015, we established business cooperations with 216 banks. We offered third-party depositary services to 98 securities companies, and the number of our contracted customers reached 25,150.9 thousand. The average daily balance of funds under depositary amounted to RMB275,814 million, representing a growth of RMB187,232 million as compared to previous year. A total of 147 futures brokerage companies used our Bank-Futures Transfer System, with outstanding margin deposits amounting to RMB27,123 million. The Bank increased credit support to schools, hospitals and hydraulic engineering construction and further strengthened the cooperation with the government and customers in education, hygiene, cultural and tourism industries.

The Bank maintained its leading position in the bancassurance market. We collected new insurance premiums of RMB198,561 million and recorded a total income of RMB4,833 million from bancassurance for the year. Our market share ranked first for six consecutive years among the major commercial banks in China in terms of revenue.

Settlement and Cash Management

Payment and Settlement

During the reporting period, the Bank innovated and refined the corporate settlement products and further increased the amount of settlement accounts. Proportion of basic settlement accounts increased steadily and the account structure was improved. As of the end of 2015, we had 4,495.7 thousand RMB-denominated corporate settlement accounts, representing an increase of 6.5% over the end of the previous year.

Cash Management

During the reporting period, the Bank further enhanced the marketing and services for cash management customers, with focus on promoting products such as bill pool, agency collection & payment and centralized operation service of RMB and foreign currencies. In order to adapt to the new business formats, the Bank actively developed new products and services. The Bank consolidated business cooperation with foreign-invested banks and continuously strengthened the customer base of cash management. The Bank also strived to raise the market recognition of “Xing Yun” brand, its cash management brand through the enhancement of brand promotion. As of the end of 2015, the Bank had 809.5 thousand cash management customers¹, representing an increase of 62.7% compared to the end of the previous year. In 2015, the Bank was awarded the “Best Financing/Cash Solution for SMEs” at “Tao Zhu Gong Awards” by EuroFinance.

Trade Financing and International Settlement

Leveraging on the opportunities arising from national strategies of “One Belt and One Road”, internationalization of RMB, enterprises “Going Out” and food safety, the Bank continuously refined the trade financing service system. The Bank put great efforts in product innovation to fulfill diversified trade financing needs of customers. The Bank continuously improved the service capability of trade financing to support the development of real economy resulted in a steady and healthy growth of international settlement, sales and settlement of foreign exchange and trade financing businesses. In 2015, the total volume of international trade financing conducted by our domestic branches reached an amount of USD117.88 billion. The total volume of international settlement conducted by our domestic branches reached an amount of USD1,000.67 billion, representing an increase of 10.9% compared to the previous year. Our domestic branches cumulatively issued letters of foreign guarantee with a total amount of USD31.097 billion. In 2015, the Bank was awarded the “Best Bank of International Business” in the fifth election of the “Most Trustworthy Financial Service Provider by Chinese Foreign Trade Enterprises” organized by Trade Finance.

¹ In 2015, the Bank adjusted the classification of cash management customers. Newly included in the classification were customers of settlement package, gold account and account supervision service.

Investment Banking

During the reporting period, we underwrote 371 debt instruments with an aggregate value of RMB409,355 million. Among them, 259 were short-term commercial papers (including super short-term commercial papers) with an aggregate amount of RMB283,338 million and 112 were medium-term notes (including private placement of debt instruments) with an aggregate amount of RMB126,017 million. The Bank further enriched the types of bonds by underwriting medium-term notes for mergers and acquisitions and financial bonds of asset management companies. Being the first commercial bank acting as a project sponsor, the Bank successfully completed the issuance of an asset securitization project of enterprise, that was an asset-backed securities of RMB5,000 million for the creditor's rights under the gas supply contract of Ningbo Xingguang Gas Group on the Shanghai Stock Exchange. The Bank continued to promote its credit asset securitization business and issued the first tranche of NongYing credit asset securitization product in 2015 of RMB5,092 million. The Bank proactively acted as a lead manager or participated in large syndicated lending projects and carried out innovative syndicated projects such as merger and acquisition syndicated loans and cross-border syndicated loans and syndicated projects for people's livelihood improvement. As of the end of 2015, the balance of syndicated loans of the Bank amounted to RMB633.8 billion.

In the 2015 Election of China Best Investment Bank organized by Securities Times, the Bank won several awards such as the "Best All-round Investment Bank for the Year", "Best Bank in terms of Bond Underwriting for the Year" and "Best Bank of syndicated lending for the Year". In the appraisal campaign of annual syndicated loans organized by China Banking Association, the Bank won the "Best Development Award" and the "Best Transaction Award". The Bank was also named as "Outstanding Sponsor of Asset-backed Securities" by China Central Depository & Clearing Co., Ltd.

Retail Banking

In response to the challenges brought by the liberalization of interest rate and rapid development of internet finance, the Bank continuously deepened the transformation of retail banking business to improve the market competitiveness. The Bank improved layered customer service system for retail customers and provided differentiated services according to the assets of customers in order to improve service quality and customer experience. The bank strengthened synergetic marketing between corporate and retail banking businesses, implemented integrated marketing activities for retail business such as the "Spring Promotion" and innovated online marketing via WeChat. The Bank established a new marketing management system for retail customers to enhance technical support, and expanded the mining and application of data to strengthen the ability of cross-selling and targeted marketing. As of the end of 2015, we had 474 million retail customers, including more than 25 million VIP retail customers.

Retail loans

In 2015, the Bank actively supported households in purchasing small- and medium- sized condominiums for non-investment purpose for the first time or to improve current living conditions. Our retail residential mortgage loans increased rapidly. As of 31 December 2015, the balance of retail residential mortgage loans amounted to RMB1,927,018 million, representing an increase of RMB376,345 million or 24.3% over the end of the previous year. We actively coped with the challenges from the slowdown of economic growth by adjusting and optimizing the retail loan business structure. We increased financial support to customers with medium and low income by granting of over 10 billion of small amount and short-term consumption loans, satisfying the urgent, small-amount and frequent credit needs of 134 thousand customers with medium and low income.

Retail deposits

In 2015, closely following the trend of interest rates liberalization, we strengthened the sophisticated management of interest rates and refined the differentiated pricing system for deposits. We organized various marketing activities during peak seasons and promotional activities, targeted demand deposits, call deposits, short-term time deposits and other capital with low costs, and increased marketing efforts for settlement and account products to boost the growth of deposits while maintaining effective cost control. At the end of 2015, the balance of retail deposits reached RMB8,065,556 million, representing an increase of RMB643,238 million or 8.7% over the end of the previous year.

Bank cards

At the end of 2015, the number of debit cards cumulatively issued amounted to 813 million, representing an increase of 88 million over the end of the previous year. The number of debit IC cards cumulatively issued amounted to 410 million, representing an increase of 128 million compared to the end of the previous year. We carried out “Happy Growth ” kid card and standardized PBOC3.0 debit card. We carried out special marketing activities to effectively increase the popularity and usage of our debit cards. Risk prevention and control of debit cards were reinforced to secure the fund of our customers.

At the end of 2015, the number of credit cards¹ cumulatively issued reached 58,379.2 thousand, and our dedicated credit card merchants reached a number of 1,020.3 thousand. The transaction volume of credit cards for the year amounted to RMB1,153,998 million, representing an increase of 16.1% compared to the previous year. We had established featured credit card series focusing on key products including Pretty Mother card, Global Business card, EMV card, Mortgage loan card and ETC card. We also further expanded our installment bill payment and cash installment businesses. We continued to carry out special brand activities and enhance online promotion and marketing efforts. We further developed our agency collection service and optimized credit card cross-border payment functions. We improved the customer life-cycle management through encouraging our customers to activate and start using their credit cards so as to increase values of customers.

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

Items	31 December 2015	31 December 2014	Growth rate (%)
Number of debit cards issued (unit: 10,000)	81,275.29	72,467.64	12.2
Number of credit cards issued (unit: 10,000)	5,323.18	4,651.06	14.5

Items	2015	2014	Growth rate (%)
Transaction volume for debit cards (RMB100 million)	67,023.91	66,929.37	0.1
Transaction volume for credit cards (RMB100 million)	11,465.80	9,868.54	16.2

Private Banking Business

At the end of 2015, we established private banking departments in 34 branches. The number of customers of our private banking business of the Bank reached 69 thousand and the assets under custody amounted to RMB807.7 billion, representing an increase of 25.7% over the end of the previous year.

During the reporting period, the Bank put full efforts in establishing an exclusive product series for private banking to continuously increase the number of products. The existing scale of products of private banking amounted to RMB115,531 million, representing an increase of RMB14.3 billion over the end of the previous year. Meanwhile, the Bank improved the customer service system and list-based management, completed the transformation of wealth management centers of four branches to private banking departments and promoted the private banking customer service in tier-2 branches. The bank improved the scope and quality of private banking services, enriched the portfolio of wealth management advisory and value-added services. The bank improved cross-border financial services and family trust services, explored new business such as New Third Board services, and enhanced legal and tax consultancy services.

Treasury Operations

Our treasury operations include money market activities and investment and trading activities. Adhering to the principle of prudent operation, the Bank flexibly coped with changes in domestic and foreign economic and financial markets, promptly adjusted the investment strategies, and continuously improved our risk management. Our asset operation efficiency was further improved.

Money Market Activities

In 2015, the PBOC cut interest rates five times and reduced deposit reserve ratio five times while enhancing the dynamic adjustment mechanism of reserve ratios difference. Liquidities of various maturity were flexibly adjusted through open market operations, Medium-term Lending Facility (“MLF”), Pledged Supplementary Lending (“PSL”), Standing Lending Facility (“SLF”) and treasury cash management in order to support the real economy while reducing financing costs of corporations.

Based on strengthening study on monetary policies and forecast of market liquidity, the Bank expanded initiative debt channels by means of, among other things, open market operations, MLF and money market financing to secure its liquidity and to improve the utilization of capital. In 2015, our RMB-denominated financing transactions amounted to RMB25,626,095 million, including lending of RMB20,953,237 million and borrowing of RMB4,672,858 million. We developed inter-bank certificates of deposit. The transaction volume of certificates of deposits for the year amounted to 105.9 billion, representing an increase of 522.9% compared to the previous year. We maintained our prudent strategy for foreign currency financing business, monitored changes in monetary policies of developed economies and properly controlled the scale and maturity of funding.

Investment and Trading Activities

At 31 December 2015, our net investment in securities and other financial assets amounted to RMB4,512,047 million, representing an increase of RMB936,417 million or 26.2% compared to the end of the previous year.

Trading Activities

In 2015, due to macro-economic conditions and monetary policies, the yield of the bond market declined significantly in general with more significant fluctuation. We further strengthened our research and assessment on the market so as to flexibly adjust the investment scale and dynamically optimize composition and maturity of trading bond assets. We actively traded according to the market trend and achieved good returns.

Banking Book Activities

We strengthened the study and trend forecast of the change in interest rate of bond market, and increased investment to bonds with higher investment value when the yield of the bond market was high. We enhanced the sophisticated management of corporation bonds and dynamically adjusted the investment structure through operations between the primary and secondary markets. Our yield of investment portfolio continued to lead in the industry.

We adhered to prudent strategy for foreign currency investment. We strengthened the research and forecast of the raise of interest rate by the US Federal Reserve and flexibly adjusted the duration and scale of investment portfolio resulted in its structure further optimized. At 31 December 2015, our foreign bonds investment portfolio for our own account amounted to USD140,420 million, representing an increase of 96.5% as compared to the end of the previous year.

Asset Management

Wealth Management

We carried out professional operation and differentiated management, continuously improved the quality and efficiency of our customer services and actively promoted the innovation of our sales models, which resulted in stable growth in the scale of wealth management and contracted customers. As of 31 December 2015, the balance of our wealth management products amounted to RMB1,577,347 million, including retail wealth management products of RMB1,016,292 million and corporate wealth management products of RMB561,055 million, representing an increase of 23.1% and 68.9% as compared to the end of the previous year, respectively. We continuously refined our product series oriented on the needs of our customers and enriched the variety of our products with competitive edges. We also put more efforts in research and development of open-ended wealth management products and introduced specified wealth management products to benefit customers in County Areas.

In 2015, we won the “Top Ten Financial Product Innovation Award” (Agriculture-related Wealth Management Product) selected by the Banker and the “Best Banking Innovative Wealth Management Product Award” (Agriculture-related Wealth Management Product) and the “Best Banking Open-ended Wealth Management Product Award” (An Xin Ling Dong Product) among banks in China selected by the Securities Times. Moreover, we also won the “Best Wealth Management Brand in 2015” and the “Best Service Innovation Bank in 2015” in the Golden Shell Award for Excellent Asset Management in China organized by the 21st Century Business Herald.

Custody Service

In 2015, the Bank devoted more efforts in synergistic marketing in response to the market changes. We continuously improved the service capability and the custody service business achieved rapid and healthy development. As of the end of 2015, we had RMB7,145,110 million of assets under custody, representing an increase of 43.9% compared to the end of the previous year. Among them, insurance assets under custody amounted to RMB2,379,151 million, representing an increase of 23.5% compared to the end of the previous year. In 2015, our custody and other fiduciary service fees amounted to RMB2,857 million.

In the appraisal campaign of Chinese bond market members in 2015 organized by China Central Depository & Clearing Co., Ltd, the Bank won the “Excellent Custody Institution Award”.

Pension Business

In 2015, we further developed our pension business and succeeded in the marketing of annuity and semi-annuity projects of several well-known enterprises. As at the end of 2015, pension funds under our custody amounted to RMB318,310 million, representing an increase of 20.9% over the end of the previous year.

Precious Metal Business

In 2015, affected by various factors such as rising geopolitical tensions, and economic recovery of United States and rate hike by US Federal Reserve, the price of international precious metal experienced a fluctuating drop after a rebound, while the domestic demand of physical precious metal remained stable. As a domestic major precious metal market maker, we satisfied customers' needs of precious metal trading, investment and hedging through leasing gold, trading of precious metal derivatives to customers and trading physical gold in the Shanghai Gold Exchange, the Shanghai Futures Exchange and the London precious metals market.

During the reporting period, we steadily promoted the gold leasing business and strengthened the marketing of precious metal trading business. Moreover, we enhanced the channel construction of the customer trading system of precious metal and successfully launched the PC client for agent precious metal trading system and mobile phone banking APP for account-based precious metal trading system. In 2015, we traded 2,141.91 tons of gold and 26,471.89 tons of silver for our own account as well as on behalf of customers. The customer structure of our gold leasing business continued to be refined and the trading business expanded rapidly.

Treasury Transactions on behalf of Customers

In 2015, especially since the “811” exchange rate reform and inclusion of Renminbi into the SDR basket, the internationalization of RMB has significantly accelerated along with increased fluctuation of Renminbi exchange rate. In line with the State's “One Belt and One Road” strategy, we further promoted the trading of unpopular currencies in the relevant regions and provided exchange rate hedging instruments for enterprises entering into overseas markets. During the reporting period, we achieved regional direct trading between Renminbi and various currencies, including Vietnamese Dong, Lao Kip and South Korean Won. Furthermore, we also became the first financial institution in China which had realized listing and trading between Renminbi and Tajikistani Somoni and one of the first batch of market makers of direct trading between Renminbi and Swiss Franc. In 2015, the transaction volume of our exchange settlement on behalf of customers amounted to USD287,800 million, and that of foreign exchange trading on behalf of customers amounted to USD14,078 million.

Agency Distribution of Fund Products

We captured market opportunities and cooperated with outstanding fund companies to develop innovative products in line with market trends, focusing on the optimization of customers' fund portfolios. Great efforts were made for initial offering and sustainable marketing of fund as well as for the development of the premium product brands such as Selective Excellent Fund, Selective Excellent Portfolio and Intelligent AIP. We also organized a campaign named as “Fund Propaganda Tour” to promote fund knowledge and improve professional quality of our marketing teams. In addition, we also improved our technology system to provide customers with quicker and more convenient and user-friendly service experience. The agency distribution of fund products presented a stable growth with cumulatively distributed fund products of RMB405,500 million for the year.

Agency Sales of PRC Government Bonds

During the reporting period, we issued 14 batches of saving treasury bonds as an agent with actual sales of RMB38,789 million, including 10 batches of saving treasury bonds (in electronic form) with actual sales of RMB22,883 million and 4 batches of saving treasury bonds (in certificate form) with actual sales of RMB15,906 million.

Green Finance

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

Green Credit

We included green credit into the Credit Policy Guidelines for 2015 and improved green credit working system in respect of policy, process and risk control. In 2015, we conducted self-evaluation on green credit and prepared self-evaluation report on the implementation of green credit, through which the regulatory requirements and the development concept of green credit were promoted effectively.

In 2015, we established an indicator system for green credit covering five main indicators, namely efficiency, profitability, environmental protection, resource consumption and social management. We also applied those green credit indicators into our industry credit policies as our decision-making basis for customer admission, credit review and approval and post-disbursement management. We applied those green credit indicators into credit policies for 16 industries, including cement, iron and steel, petrochemicals, float glass, wind power and photovoltaic, which involved 4,935 customers. At the end of 2015, the loans related to green credit amounted to RMB543,131 million, representing an increase of RMB73,134 million, or 15.56%, as compared to the end of previous year. The loans related to green credit accounted for 10.1% to our domestic corporate loans, representing an increase of 1 percentage point as compared to the end of the previous year. As for the effect, environmental protection projects supported by us were able to save 23.09 million tons of standard coal annually and reduce 54.2 million tons of carbon dioxide emissions.

In 2015, we strictly controlled customer admission and classification of Industries with high energy consumption, high pollution or overcapacity. All the customers classified as decline and withdrawal in Industries with high energy consumption, high pollution or overcapacity were listed in withdrawal plan for risk customers for 2015, in which specified the objective of reducing loans granted to those customers and enhanced the withdrawal. As of the end of 2015, the percentage of loans to Industries with high energy consumption, high pollution or overcapacity to our total corporation loans decreased 0.48 percentage point compared to the end of the previous year.

Green Bonds

In October 2015, we issued dual currency green bonds worth USD995 million, including RMB-denominated bonds 600 million, which were listed on London Stock Exchange. The issuance of the green bonds was our practice of supporting the green industry and fulfilling our commitment on environmental protection. It also represented an innovation and breakthrough in the first issuance of RMB-denominated green bonds by Asian issuer.

The issuance attracted active subscription and diversified investors. The issuance interest rate was lower than that of our peers. The issuance attracted nearly 140 investors from Asia and Europe and eventually more than 80 investors subscribed the bonds. The types and geographic distribution of investors were diversified, among which bank investment accounted for 75% to the total investment, Asian investors accounted for 90% while European investors accounted for 10%.

The proceeds from the issuance of green bonds were used for green projects which were in compliance with internationally accepted Green Bond Principles and recognized by third-party qualified certification bodies, including projects relating to renewable energy, clean transportation, clean water resource and management of sustainable waste. As of the end of 2015, nearly RMB2,000 million was granted to such projects and the remaining proceeds are expected to be granted to such projects by the first quarter of 2016. Aiming to devote ourselves to the development of green industry, we will establish and refine the working mechanism for issuing green bonds internationally, as well as promote the concept of green finance to increase its acceptance by financial institutions and customers.

Green Fund

In November 2015, we cooperated with Amundi Asset Management, as fund promoters, to set up a China-France international energy transition green fund, which invited energy companies in China and France to participate. The first tranche of the fund was mainly invested in green energy development projects in China and France. We plan to expand investment of the second tranche into green energy in other countries and international agricultural cooperation fields. As the first bank in China to set up international green fund, we aim to promote the close cooperation between financial institutions and energy companies in China and France in green finance and sustainable development fields through investing in green energy projects.

Distribution Channels

Branch Outlets

In 2015, in pursuit of improving the capability of value creation of branch outlets, focusing on enhancing the financial service capacity in County Areas and branch outlets' capacity, we pushed forward an branch outlet refinement project of "Four Actions " (namely addition, reduction, reallocation and enhancement). We set up standardized management, operation and service models to stimulate the organic growth of our outlets through channel coordination, process refinement, service upgrade and team building. We set up more than 2,000 off-bank self-service banks in County Areas, among which more than 1,000 were located in villages and towns we did not have

branch outlet before, which effectively expand our service coverage. We enhanced our intelligent services in branch outlets and launched super counters in more than 14 thousand branch outlets, which covered 60% of our branch outlets.

Electronic Banking

Adhering to the changing financial needs of customers in the “Internet Plus” era, we facilitated innovation of electronic banking products, improved customer experience and promoted O2O marketing and experience marketing. In 2015, with the stable growth in the number of customers through electronic channels, and transaction volumes, the profitability of the Bank further increased. As of the end of 2015, there was an increase of 123 million of electronic banking customers while the total number of our electronic banking customers reached 766 million. We also recorded 20,940 million financial transactions through electronic channels, representing an increase of 41.2% compared to the previous year. In 2015, the financial transactions through electronic channels accounted for 93.0% of the total number of financial transactions, representing an increase of 3.4 percentage points compared to the previous year.

Internet Banking

In 2015, we continued to improve the platforms for electronic banking basic transaction and service, and push forward innovation of internet banking and website services. We reinforced the strategic business edges, such as payment and settlement, and achieved a steady growth in the investment and wealth management business. Meanwhile, we launched new services through internet banking, such as insurance, real-time foreign exchange settlement and certificates of deposit, and further improved customer experiences of funds, wealth management, foreign exchanges and bank reconciliation businesses. As of the end of 2015, we had 150 million of retail internet banking customers in total with a transaction volume of RMB84.40 trillion for the year. We also had 3.775 million of corporate internet banking customers with a transaction volume of RMB100.1 trillion for the year, representing an increase of 29.9 % over the previous year. The website recorded 4,310 million visits throughout the year. The accumulative number of credit card online applications amounted to 2.953 million, representing an increase of 42.2 % over the previous year.

Telephone Banking

In 2015, we optimized and upgraded our telephone banking services system, integrated transaction functions and simplified operation procedures in order to improve customers’ satisfaction. During the reporting period, we received 419 million calls via our 95599 customer service center, and 75.94 million calls were answered by our customer service staffs with a completion rate of 79.35%.

Mobile Banking

We focused on innovation of mobile banking service models. We fully upgraded our mobile client and developed an open browsing structure. We improved the service quality by refining the layouts, design of pages, interaction and contents. We also developed Agricultural Bank mobile shopping mall by providing all-round services catering daily needs of customers (including clothes, food, accommodation and transportation) under the activity brand of “Best Shopping Experience on

Thursdays” in our “e-shopping Tianjie” platform. We also innovated in mobile payment business to provide convenient online and offline payment services to customers, through launching the “HCE Yunshanfu” payment product. As of the end of 2015, we had 0.14 billion mobile banking customers with transaction volume of RMB9.6 trillion, representing an increase of 75% over the previous year. We also had 310 million customers contracted for mobile banking SMS services with 16,397 million SMS messages sent for the year.

Self-service Banking

As of the end of 2015, we had 122,800 cash-related self-service banking facilities with transaction volume of RMB13.61 trillion for the year. We also have 48,500 self-service banking terminals. During the reporting period, we continue to optimize service functions of different channels. The diversion rate of self-service facilities of the Bank reached 76%. Our intra-bank transaction settlements in terms of number and amount ranked top among all banks. We effectively improved the customer services and product competitiveness of self-service banking by enhancing product innovation, refining functions and launching a series of new functions, including modifying our card-using condition of EMV international cards, getting bank cards with time extension when cards draw back by self-service machines, and imbedded advertisement marketing, and lottery platform for marketing.

Internet Finance

In 2015, the Bank continued to monitor the market development trend and change in regulations. Based on the market conditions and resources in Urban and County Areas, we put efforts in innovation of internet technology in order to effectively serve the real economy and County Areas. We overall planned for both of the upgrade and transformation of traditional business and the development of emerging financial services. Focusing on the effective coordination and interaction between online and offline operations, we formulated the development concept of internet finance with “three platforms, five product lines and three foundations”.

Three Platforms

The Bank focused on developing three platforms of financial services, social life and e-commerce to satisfy the integrated demand of customers on finance, daily life and production in the era of internet. For the financial services platform, based on e-commerce concept, we fully enhanced the process transformation and innovated products and services to establish a shelf-style, personalized, open and simple online financial service system. The social life platform made full use of the offline resources of merchants and outlets and the customer manager teams, to establish three ecosphere, namely the social interaction, daily life and consumption ecosphere, linking the Bank, merchants and retail customers, so as to imbed financial services into the high-frequency transactions of users by way of O2O. For the e-commerce platform, following the changes of production and operation modes during the era of “Internet Plus” and focusing on B2B e-commerce, we aimed to develop a whole industry chain commerce platform covering both Urban and County Areas and connecting the Bank, enterprises and consumers. Thus, corporate customer base and the resource advantage of “Sannong” could make more important roles in establishing new business ecosystem.

Five Product Lines

We provide the customers with five product lines including internet payment, internet financing, investment and wealth management, information service and supply chain finance based on the demand of financial products in the three platforms, in line with the features of the internet of “opening-up, sharing, simple and excellence” as well as by the application of big data. The internet payment product line provides customers with convenient internet and mobile payment services with multi-media, multi-scene and multi-mode, through settlement accounts and electronic accounts. The internet financing product line provides small and micro customers, retail customers and customers in County Areas with mass and automated direct or indirect internet financing services by establishing systems for automatic data collection, customer evaluation and risk monitoring based on the application of big data. Leveraging on internet and data analysis technologies, the investment and wealth management product line provides great and convenient online asset preservation and appreciation services and investment transaction services whilst taking into account gains and liquidity of customers’ assets. Based on the information regarding financial transactions and commercial activities and its professional market research capability, the information service product line provides the customers with specialized and butler-style information value-added services including financial diagnosis, investment analysis, as well as credit and risk assessment. Capturing the development trend of enterprise supply chains via e-commerce and aiming to enhance the connection between financial services and e-commerce supply chains, the supply chain finance product line provides customers with circle and chain financial services comprehensive financial services integrated with multi-channels for payment and settlement, internet financing and investment and wealth management.

Three Fundamental Works

From perspectives of customer information, customer service and customer interfaces and focusing on customers, we exerted more efforts in promoting three fundamental works of unifying customer view, point system and entry layout, in order to reinforce the foundation for the operation of three platforms and five product lines. The work of unifying customer view focused on extensive collection of static information, such as identification and assets of customers, and dynamic information, including consumption and transactions, so as to reflect a full picture of the characteristics of such customer, as well as to ensure precision marketing, risk identification and credit services. Aiming to attract customers, encourage transactions and enhance customer loyalty, the unifying point system specialized in establishing a perfect point generating mechanism and flexible point consumption model. The customers could make full use of their points whilst three platforms and customers’ transactions could be promoted. Adhering to the concept of “services are in place wherever customers are” and the principle of not changing customers’ habits, the unifying entry integrated planned the entries of each channel so that the customers could most promptly find the most suitable services with the most consistent experience.

In 2015, we continued to carry out the pilot innovation for internet finance business. For e-commerce business, four “Rong” platforms had a total of 10,161 terminals in County Areas. We completed 2,337.4 thousand transactions with a total amount of RMB12.6 billion through “Rong Tong” platform, and a total of 646 transactions with financing loans amounting to RMB30.27 million through “Rong Zi” platform. We had 488 online shops, and handled 60,600 trade requests and completed 59.6 thousand transactions with a total amount of RMB10.12 billion through “Rong

Shang” platform. For internet payment, “Yinxuntong” was promoted in all regions within Sichuan province, and started pilot operation in Heilongjiang and Jilin provinces. We had 11,867 contracted agencies of “Yinxuntong”, and conducted about 4,571 thousand financial transactions amounted to RMB1.04 billion. For internet financing, corporate “Internet loan based on big data” was launched in three business cycles, namely BYD Company Limited in Shenzhen, Inspur Group Co., Ltd in Shandong and China Mengniu Dairy Company Limited in Inner Mongolia. 1,276 loans of RMB391 million in aggregate were granted automatically, and the outstanding balance was RMB208 million, with no non-performing loans. “Internet loan for second-hand property” targeting retail customers commenced its pilot operation in Shenzhen successfully, completing 506 transactions online and funds of RMB522 million under custody for the first month of operation.

Cross-border Financial Service

In 2015, the Bank proactively served the state’s strategy of economic and diplomacy. We accelerated the layout of overseas institutions and continued to enhance our global financial service capability. The scope of business, operation level, cross-border financial service capability and profitability of our overseas institutions were steadily improved.

During the reporting period, Agricultural Bank of China (Moscow) Limited, Agricultural Bank of China (Luxembourg) Limited and Luxembourg branch of the Bank commenced operation in succession. The application for the establishment of Taipei Representative Office was officially approved by the local regulatory authorities. The applications for the establishment of Dubai Branch¹ and Chicago Branch were approved by the CBRC in succession. The applications for establishment of Hanoi Branch and Vancouver Branch overseas ran smoothly and achieved phased progresses. Sino-Congolese Bank of Africa that established by the Bank with the Republic of Congo, 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.

As of the end of 2015, the Bank had established 17 overseas institutions in 14 countries and regions, forming an overseas network covering Asia, Europe, North America and Oceania. As of the end of 2015, total assets of our overseas branches and subsidiaries reached USD109,742 million, representing an increase of 28.6% compared to the end of the previous year. Net profit for 2015 was USD604 million, representing an increase of 16.2% compared to the previous year.

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

Global Financial Services Support the Development of “One Belt and One Road”

The Bank formulated the “Opinions on the Implementation of ‘One Belt and One Road’ Strategy” to focus on supporting relevant projects, such as international agricultural cooperation, infrastructures interconnectivity, investments in energy and resources. Meanwhile, the opinions specified supporting policies on the establishment of overseas institutions, expansion of “Go Out” customer base and financial services system construction, to satisfy financial needs of “Go Out” enterprises overseas. In 2015, the Bank handled business related to “Go Out” enterprises of more than USD28,000 million in over 80 countries and regions, including business of over USD5,000 million involving countries located along “One Belt and One Road”.

The Bank launched financial products to “Go Out” enterprises, including cross-border merger and acquisition loan, export credit, special insurance financing, onshore guarantees for offshore loans, overseas issuance of bonds and industrial funds, so as to provide customers global financial services covering domestic and overseas, and throughout business processes. The Bank also increased the support to “Go Out” projects through exploring various sources of fund, providing preferential fund supports and refining credit policies and allocation of resources.

The Bank proactively pushed forward the financial cooperation between countries located along “One Belt and One Road”. The Bank entered into “Agreement On Cooperation In Agricultural Sector” with Tajikistan Agricultural Investment Bank. The Bank undertook to provide the first tranche of loan of RMB600 million to support Chinese enterprises to develop their businesses in Tajikistan. The Bank also organized China-and-Tajikistan financial training course and special training course for Tajikistan senior managers in financial industry, so as to promote the integration of financial service concept and products between the two countries and create favorable financial condition for Chinese “Go Out” enterprises.

Diversified and Innovative Services Promote the Internationalization of RMB

The Bank proactively promoted the internationalization of RMB to enhance the status and functions of RMB in cross-border trades and investments, through continuously optimizing the cross-border RMB product system comprising settlement, clearing, financing, transaction, cash management and investment. In 2015, cross-border RMB-denominated settlement conducted by our domestic branches amounted to RMB1,277.25 billion.

The Bank proactively promoted RMB to be used in regions located along “One Belt and One Road”, including ASEAN, the Middle Asia and the Middle East. The new financial service platform for border areas was upgraded. The Bank had strengthened functions of its “China-ASEAN Cross-Border RMB Business Center” in Guangxi, established the “Pan-Asia Business Center” in Yunnan and “Center of Cross-Border RMB Business with Mongolia” in Inner Mongolia. The Bank enabled listed trading between RMB and VND, LAK, THB, MNT. The Bank was the first bank that offered listing and trading between RMB and TJS in Xinjiang.

The Bank strongly supported the development of RMB business in Free Trade Zone. In 2015, according independent accounting, the balance of deposits and loans in RMB of the Free Trade Zone were 2,060 million and 26,160 million, respectively. Various products of the Bank, such as cross-border RMB integrated financial service were recommended as models of innovative financial services in the Free Trade Zone. The Bank was also among the first batch of banks handling innovative cross-border RMB business such as cross-border RMB loans, cross-border leasing loans and financial leasing loans in the three Free Trade Zones of Guangdong, Tianjin and Fujian.

The Bank steadily developed services for the capital account convertibility of RMB. In 2015, the Bank handled cross-border RMB settlement of RMB23,900 million for southbound trading in the Shanghai-HK Stock Connect. The cross-border two-way RMB fund pooling business amounted to approximately RMB13,000 million. The Bank also dealt with the investment business in inter-bank bond market and fund custody business of RQFII for numerous overseas institutions.

The Bank put further efforts in strengthening the infrastructure for cross-border RMB business. We set up over 270 RMB clearance accounts for other banks around the world. We were among the first batch of banks to become a direct member of the RMB Cross-border Interbank Payment System (“CIPS”), and 27 overseas banks based in Asia, Europe, Africa, America and Oceania joined the CIPS as an indirect member through the Bank.

Diversified Operation

Currently, we have established an integrated business platform consisting of funds management, securities and investment banking, financial leasing and life insurance. We had continuously promoted the implementation of our strategy of integrated business operations by focusing on the construction of integrated business platform, enhancing the parent-subsidary strategic synergy, speeding up to foster new competitive advantages, and improving our cross-industry, crossover, cross-border business capabilities.

In 2015, following the Group's development strategy, confronted with new economic and financial situations at home and abroad, the four subsidiaries under the integrated business platform (including ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited, ABC Financial Leasing Co., Ltd. and ABC Life Insurance Co., Ltd.), actively adapted to the financial situations, and strived to deepen the reformation and strengthen the management, which brought their overall operation performance continuously been improved. Particularly, the scale of assets managed by ABC-CA Fund Management Co., Ltd. grow rapidly to over 220,000 million; the core investment banking business of ABC International Holdings Limited continuously expanded; ABC Financial Leasing Co., Ltd. proactively pushed forward its business transformation; and the competitiveness of ABC Life Insurance Co., Ltd. was further enhanced with the total premium income of 17,500 million. As the end of 2015, the assets of our four subsidiaries of integrated business operations amounted to 125,802 million, representing an increase of 30,095 million compared to the end of the previous year; net profit for 2015 amounted to 780 million, representing an increase of 41.6% compared to the previous year. Synergies arising from our diversified operation were gradually achieved and our overall financial service capability was enhanced.

Information Technology

During the Reporting Period, we advanced the research and development of technology and product innovation orderly, which provided a solid technological support to the development of our businesses. In 2015, eight technology achievements of the bank were granted the "Banking Technology Development Awards" by the PBOC and three achievements were granted the "Awards for Research Achievement on Information Technology Risk Management of the Banking Industry" by the CBRC. We were also granted 31 patent licenses by the State Intellectual Property Office. In addition, the "Specification of Description for Banking Products" (national standard GB/T 32319-2015), the preparation of which was led by us, was released by the Standardization Administration of the PRC.

Efforts were made to strengthen the technological support for business fields. We launched "e-Agricultural Steward" to foster a financial ecosphere with features of county areas, upgraded the super counters and global cash management system and facilitated the research and development of Free Trade Zones system. After completing the research and development, the corporate online banking system of Singapore branch and core systems of Sino-Congolese Bank of Africa, Luxembourg branch, Agricultural Bank of China (Luxembourg) Limited and Agricultural Bank of China (Moscow) Limited commenced operation. Moreover, we supported the comprehensive operation reform, counter process optimization and risk control of all the outlets and carried out pilot program of using electronic vouchers and seals.

Construction of the key technology projects was push forward. The fourth phase of BoEing commenced operation. The overall plan of innovation project for internet finance was formulated and the construction of three internet finance platforms including financial services, social life and e-commerce was carried out. The product system for mobile clients was expanded and a new version of mobile banking was released. The bank-wide centralized framework of data platform was established and the big data platform commenced operation, which provided data services to fields such as assets and liabilities pricing management and liquidity management.

Production safety management was reinforced. In order to strengthen the capability of system security control, three data centers' overall system construction plans were completed; the construction of cloud infrastructure platform and the monitoring and management and control platform were promoted. The functions of mainframe system were moved to the minicomputers; and servers were used to replace the minicomputers. During the reporting period, we further integrated the operation, application and supporting of Shanghai and Beijing, and achieved a steady increase in the transaction volume of operation. The average transaction volume per working day of our core operation system reached 260 million, represented an increase of 14.0% as compared to the previous year. The highest daily transaction volume reached 362 million. The operation and service of information system remained stable.

BoEing Commenced Full Operation, Marking the New Milestone for Our Informatization Banking

During the reporting period, BoEing commenced full operation. BoEing, i.e. the Blue ocean Engineering, is the new generation of our core business system whose research started early in October 2009. It is our largest system construction project covering all business fields, operation procedures and work positions, and was scheduled to be completed in four phases.

BoEing will play an important role in our business development. Firstly, it can integrate and enrich our customers' information, which helps to explore customers' potential needs and offer tailor-made services. It is also favorable for cross marketing between corporate and retail businesses. Secondly, it sets up a new business operational system, which can streamline the counter operation procedures, enhance the work efficiency of tellers, and strengthen the risk control predicting ability and response speed. Thirdly, comprehensive accounting mechanism is established to conduct accounting in terms of products, institutions, employees and customers, which will be helpful for us to analyze customers' contribution, provide differentiated service and promote product innovation and withdrawal. Fourthly, it improves customer's experience through synergistic effect of various channels and improving transaction efficiency and service quality of the counter. Fifthly, it optimizes product function systems through "product factory" model, which can restructure the operational systems of corporate deposits, corporate loans, cash management, payment and settlement, investment, wealth management and other financial products. Particularly, we innovatively developed a new credit card system featuring an integrated operational system which covers all kinds of currencies, channels and categories and supports flexible settings of systems at different levels of our Bank. Lastly, it will facilitate the development of internet finance through refining the payment, settlement and financing functions of internet banking and mobile banking, and providing data with higher quality, more third-party interface and more open related ecosystems for our internet finance.

The full operation of BoEing has marked a milestone that our informatization banking construction enters into a new phase. In the future, we will focus on streamlining the counter operation and business procedures, reinforcing the marketing support capability and strengthening the internal accounting, risk control and data quality. In addition, we will continuously optimize the technical framework, business functions and application of BoEing system to provide stronger technical support for our operation management and innovation of products, services and management.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, we persisted with the market-oriented approach and continued to enhance the reform of human resources. Targeting to control the total headcounts, adjust the structure, clarify the duty allocation and facilitate transformation, we streamlined the structure of Shanghai management department, adjusted the functions of private banking department, and improved the organizational structures of the County Area Banking Division, internet finance, information technology and customer service integration in order to improve our response to the market changes and the operational efficiency of the organization. To refine the position management system, we established a promotion system based on a combined evaluation of position duties, capacity and performance of staff and fast promotion for outstanding staff, and provided exchange and career development opportunities for staff, thus facilitating better allocation of talents and motivating the development of our staff.

Development and Cultivation of Human Resources

During the reporting period, we strengthened the development and cultivation of the talents focusing on leading managers, professionals and foundation-level backbone personnel. We trained and selected outstanding young management personnel and established our pool of talented candidates. We put efforts in filling the vacancies of professionals in the technology and financial markets, speeding up the nurturing of international talents and organizing young talent development program in county areas to establish a more competitive team of professional talents. We refined the labour policy, stringently controlled the scale of office personnel, expanded the team of foundation-level staff and reformed the allocation of staff in outlets.

During the reporting period, we further developed the Agricultural Banking University by enriching our school philosophy and enhancing the effectiveness of our training. Trainings of different levels and types were solidly implemented, including regular rotational trainings for senior management and occupational, systematic and standardized trainings for professional personnel on a rotational basis. Foundation-level staff were also provided with different training programs, including rotational trainings for person-in-charge of outlets and middle-aged employees as well as training sessions for new business. Besides, we also organized special training programs such as seminar on the financial industry of Tajikistan for senior management, financial training courses for new agricultural business entities and special trainings on free trade zones, in line with national strategies. During the reporting period, 34,000 classes of trainings were conducted by the Bank, offering 1.71 million person-times training for our staff.

Management of Remuneration and Benefit

During the reporting period, we continued to improve the remuneration management system, reinforced the centralized management and control of total remuneration of branch outlets and subsidiaries, and strengthened the linkage of remuneration with economic value added and business transformation. We also refined the remuneration incentive system to raise the competitiveness of the remuneration for key positions and talents in the market. We prioritized to refine the remuneration allocation for foundation-level staff through the establishment of minimum wages protection and differentiated allowance policy to motivate their long-term service. We improved the management mechanism for Annuity Scheme and Retirement Benefits Fund and accelerated the market-based management of Annuity Scheme. We continued to strengthen investment management of Annuity Scheme and Retirement Benefits Fund to improve long-term investment return.

The expenses of retired staff of the Bank were borne by the Retirement Benefits Fund and Annuity Scheme.

Information on Employees

We had 503,082 employees (and additional contracted employees of 11,288) at the end of 2015. Among our employees, 8,061 persons were employed at our major domestic subsidiaries and 722 persons were local employees at our overseas institutions.

Distribution of Employees by Regions

	31 December 2015	
	Number of Employees	Percentage (%)
Head Office	8,105	1.6
Yangtze River Delta	67,966	13.5
Pearl River Delta	54,566	10.9
Bohai Rim	70,477	14.0
Central China	106,729	21.2
Northeastern China	53,297	10.6
Western China	133,159	26.5
Subtotal of Domestic Branch Outlets	494,299	98.3
Major Domestic Subsidiaries	8,061	1.6
Overseas Institutions	722	0.1
Total	503,082	100.0

Distribution of Employees by Education Background

	31 December 2015	
	Number of Employees	Percentage (%)
Doctorate's Degree	459	0.1
Mater's Degree	22,787	4.5
Bachelor's Degree	214,513	42.6
Associate Degree and Vocational School	162,875	32.4
Below College	102,448	20.4
Total	503,082	100.0

Distribution of Employees by Departments

	31 December 2015	
	Number of Employees	Percentage (%)
Management	121,147	24.1
Risk management	18,734	3.7
Finance	23,561	4.7
Administration	18,649	3.7
Sales	111,302	22.1
Trading	204	0.0
Information technology	5,999	1.2
Tellers	149,737	29.8
Technicians	36,172	7.2
Others	17,577	3.5
Total	503,082	100.0

Distribution of Employees by Age

	31 December 2015	
	Number of Employees	Percentage (%)
30 or below	110,057	21.9
31–40	77,744	15.5
41–50	214,523	42.6
51 or above	100,758	20.0
Total	503,082	100.0

Management of Branch Outlets

Domestic Branch Outlets

As of the end of 2015, we had 23,670 domestic branch outlets, including the Head Office, the Business Department of the Head Office, three specialized institutions managed by the Head Office, 37 tier-1 (direct) branches, 362 tier-2 branches (including business departments of branches in provinces), 3,513 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), 19,698 foundation-level establishments and 55 other establishments.

Number of Domestic Branches and Branch Outlets by Regions

	31 December 2015	
	Number of Employees	Percentage (%)
Head Office ¹	8	—
Yangtze River Delta	3,122	13.2
Pearl River Delta	2,594	11.0
Bohai Rim	3,386	14.3
Central China	5,255	22.2
Northeastern China	2,269	9.6
Western China	7,036	29.7
Total of Domestic Branch Outlets	23,670	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 2015, we had nine overseas branches and three overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, DIFC, Tokyo, Frankfurt, Sydney and Luxembourg branches, as well as the Vancouver, Hanoi and Taipei representative offices.

Major Subsidiaries

As of the end of 2015, we had nine major domestic subsidiaries and five major overseas 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 31 December 2015, the total assets and net assets of ABC-CA Fund Management Co., Ltd. amounted to RMB666 million and RMB561 million, respectively. It recorded a net profit of RMB153 million for 2015.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong in November 2009. The registered capital of ABC International Holdings Limited was HKD4.113 billion, 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 as the sponsor of A-share listing.

At 31 December 2015, the total assets and net assets of ABC International Holdings Limited amounted to HKD18,812 million and HKD5,044 million, respectively. It recorded a net profit of HKD249 million for 2015.

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 financial leasing, transfer 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 of leased items, financial consultation and other business approved by the CBRC.

At 31 December 2015, the total assets and net assets of ABC Financial Leasing Co., Ltd. amounted to RMB36,518 million and RMB4,298 million, respectively. It recorded a net profit of RMB206 million for 2015.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2,033 million, 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 31 December 2015, ABC Life Insurance Co., Ltd. had total assets of RMB72,857 million and net assets of RMB2,204 million and the net profit for the year was RMB221 million.

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 business, including corporate deposits, bilateral loans, syndicated loans, trade financing, international settlement, foreign exchange and derivatives. At 31 December 2015, Agricultural Bank of China (UK) Limited had total assets of USD1,049 million and the net profit for the year was USD4.8262 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. It engages in different types of financial business such as retails, wholesales and treasury transactions. At 31 December 2015, Agricultural Bank of China (Luxembourg) Limited had total assets of USD25 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 million. It engages in wholesale banking businesses including international settlements, corporate deposits, syndicated loan, bilateral loans, trade finance and exchange transactions. At 31 December 2015, Agricultural Bank of China (Moscow) Limited had total assets of USD62 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 31 December 2015, ABC Hubei Hanchuan Rural Bank Limited Liability Company had total assets of RMB235 million, loans of RMB122 million, deposits of RMB168 million and net assets of RMB53 million and the net profit for the year was RMB4.2882 million.

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 31 December 2015, ABC Hexigten Rural Bank Limited Liability Company had total assets of RMB189 million, loans of RMB131 million, deposits of RMB151 million and net assets of RMB33 million and the net profit for the year was RMB3.6514 million.

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 31 December 2015, ABC Ansai Rural Bank Limited Liability Company had total assets of RMB343 million, loans of RMB137 million, deposits of RMB195 million and net assets of RMB46 million and the net profit for the year was RMB7.036 million.

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 31 December 2015, ABC Jixi Rural Bank Limited Liability Company had total assets of RMB184 million, loans of RMB87 million, deposits of RMB134 million and net assets of RMB46 million and the net profit for the year was RMB2.6938 million.

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 31 December 2015, ABC Zhejiang Yongkang Rural Bank Limited Liability Company had total assets of RMB519 million, loans of RMB390 million, deposits of RMB281 million and net assets of RMB231 million and the net profit for the year was RMB5.1619 million.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

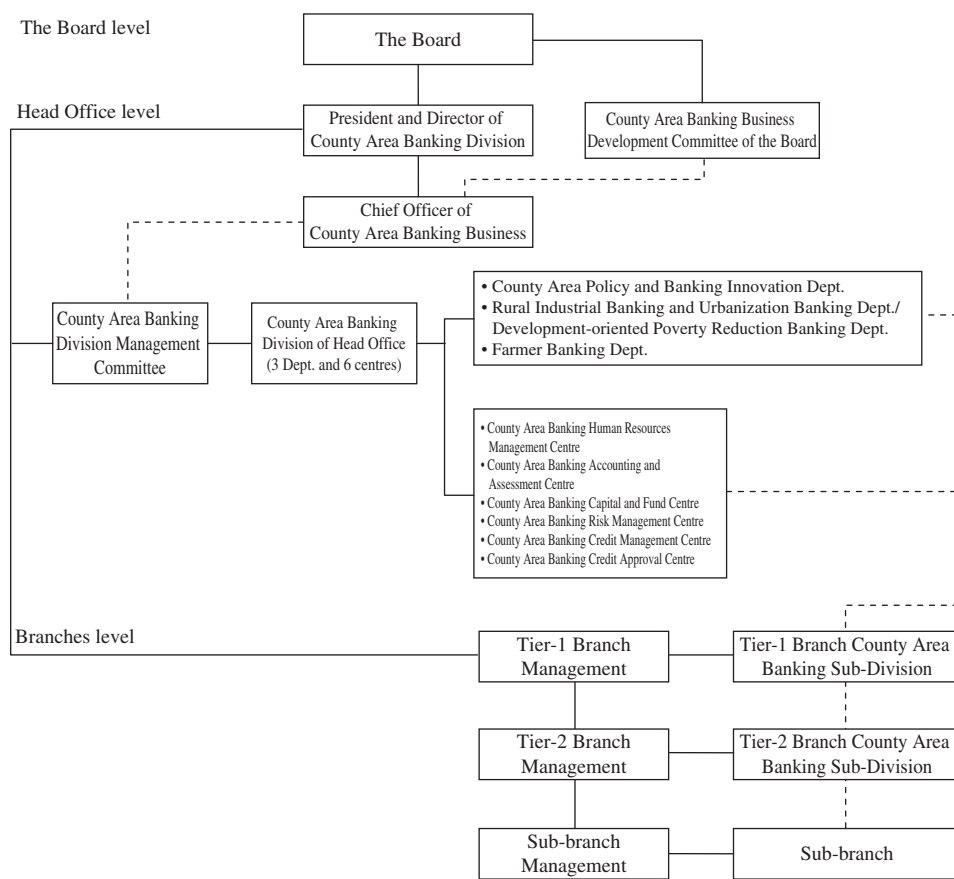
ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in June 2012 in Tong'an District, Xiamen City, Fujian Province with registered capital of RMB100 million, 51% of which was held by the Bank. At 31 December 2015, ABC Xiamen Tong'an Rural Bank Limited Liability Company had total assets of RMB653 million, loans of RMB331 million, deposits of RMB522 million and net assets of RMB122 million and the net profit for the year was RMB11.1348 million.

County Area Banking Business

We provided customers in the County Areas with a broad range of financial services through all branch outlets in the County Areas in China. We refer to such banking business as the “County Area Banking Business” or “Sannong Banking Business”. During the reporting period, the Bank adhered to its business strategy of catering to the needs of “Sannong” and fully implemented reform of County Area Banking Division. Through speeding up the transformation of County Area Banking Business, improving financial services for major fields and key customers and enhancing product innovation, we further improved our service capabilities of County Area Banking Business and consolidated our leading position in the County Areas.

Management Structure and Management Mechanism

Management Structure



Management Structure Chart of County Area Banking Business

The Board of the Bank established the County Area Banking Business Development Committee. The senior management is responsible for organizing and carrying out the County Area Banking Business of the Bank. The County Area Banking Division Management Committee is subordinate to the senior management. Three departments and six centers were established under the County Area Banking Division. “Three departments” refer to the County Area Policy and Banking Innovation Department, Rural Industrial Banking and Urbanization Banking Department/Development-oriented Poverty Reduction Banking Department, and Farmer Banking Department. “Six centers” refer to the six management centers of the County Area Banking Business for the middle and back offices covering six major aspects of human resources management, accounting and assessment, capital and fund management, risk management, credit management, as well as credit approval, in order to formulate the mechanism of sharing resources of the middle and back office between County Area Banking Business and Urban Area Banking Business. County Area Banking Sub-Divisions are set up in tier-1 branches and tier-2 branches according to the structure of “three departments and six centers” of head office. Sub-branches in County Areas are the basic operation units of County Area Banking Division.

In July 2015, based on the preliminary pilot reform, all sub-branches of 17 tier-1 branches including Shanxi in County Areas were incorporated into County Area Banking Division for reform, so that all sub-branches in County Areas of our Bank are involved into the reform.

Management Mechanism

The Bank further deepened the reform of County Area Banking Division and refined and implemented the “six separate” operation mechanism, which comprises separate capital management, separate credit management, separate accounting, separate risk allowance and write-off, separate fund balance and operation, separate assessment and incentive & constraint. During the reporting period, the Bank adopted differentiated pricing authorization for deposits and loans in County Areas according to the characteristics of the County Area Banking Business. The Bank also simplified the assessment indicators and focused on the assessment on the market position in County Areas. The appraisal results of County Area Banking Sub-Divisions were included in the integrated performance assessment of branches. Adhering to the principle of “allocating resources separately, giving strategic priority, ensuring resources to the key fields and improving the profitability”, the Bank increased the expenses and fixed assets in order to ensure resources for the development of County Area Banking Business. The Bank optimized its separate credit management mechanism for County Areas and enhanced the resource incentives and rigid constraints for County Area Banking Business.

During the reporting period, the Bank expanded operation authorities to County Area sub-branches according to their respective operation and management performance, so as to improve the independence of their operation. The Bank exerted efforts to strengthen the management teams of County Area sub-branches and implemented a separate recruitment program specialized for County Areas and young talents development programs for County Areas so as to ensure the improvement of financial service capability in County Areas with strong organization and human resources.

Risk Management

During the reporting period, the Bank promulgated the annual credit policy guideline for County Area Banking Business and refined our credit policy for agriculture-related industries. The Bank introduced new review standards for major agriculture-related industries, such as loans for new-type urbanization construction, loans for hydraulic engineering construction and rural land contracting right mortgage loan, in order to improve the efficiency and quality of credit review in County Area Banking Division. Some sub-branches in County Areas were qualified to independently approve certain loans to rural households and small and simple loans to small enterprises in order to improve their market competitiveness. For the agriculture-related enterprises with high potential risk, we had taken measures to mitigate the risks by reducing their credit limit and demanding additional effective guarantees. The Bank strengthened its cooperation with government and 19 branches participated in credit enhancement through government arrangement. The Bank continued its specialized reviews on risks from loans to rural households and “Huinongtong” projects and focused on the risk control on branches and corporate customers related to Sannong with high risk. The Bank continuously optimized the separate mechanism of risk allowance and write-off. The Bank put great efforts in disposing of non-performing loans in County Areas by various ways such as collection activity, restructuring, extension and write-off.

County Area Corporate Banking Business

During the reporting period, focused on the “Projects with Thousands or Hundreds of Units” and six specialized campaigns under our rural industrial banking business, we supported modern agriculture, new-type urbanization and major hydraulic engineering construction in order to improve the competitiveness of our corporate banking business in County Areas.

We actively supported the development of modern agriculture. Focusing on leading agricultural industrialization companies above provincial level, we provided comprehensive financial services. As at the end of 2015, the outstanding loan of the leading agricultural industrialization companies was RMB168.3 billion and our service coverage at national level and at provincial level were 82% and 61%, respectively. To support the development of featured agriculture, we increased the credit facilities and further optimized services for specialized fruit plantation (i.e. cotton, grapes and red dates in Xinjiang), featured agricultural industry in plateau areas (i.e. flowers, tea and rubber in Yunnan), specialized plantation (i.e. wolfberry and caterpillar fungus in Ningxia), tea industry in Fujian, camellia oil industry in Hunan and Jiangxi. We also cooperated with the Ministry of Agriculture of the PRC and Agricultural Development Bank of China to provide financial services for the development of well-facilitated farmland.

We continued to improve our financial services for new-type urbanization. The Opinion on Further Support for New-type Urbanization was published to specify the focus of support and refine the credit policy and products for urbanization and formulate specific arrangement for marketing, resource allocation and risk management. A database for major marketing projects of urbanization was established and marketing campaign of “Green Homes in Hundred Cities and Thousand Towns” was launched. The Bank and the National Development and Reform Commission jointly issued a document in relation to supporting the development of 64 pilot towns. As of the end of 2015, the balance of loans for urbanization in County Areas was RMB435.7 billion, representing an increase of RMB16.9 billion compared to the end of the pervious year.

Remarkable achievements was made in financial services for the construction of hydraulic engineering projects. The Bank proactively cooperated with the water services departments of China at different levels. The Bank formulated industry-specific credit policies, introduced loan products and strategically allocated our loan facilities to support the construction of national major hydraulic engineering projects. During the year, the Bank had marketed 50 national major hydraulic engineering projects with credit granting of RMB54.3 billion in aggregate. As of the end of 2015, the balance of loans for hydraulic engineering projects amounted to RMB232.3 billion, representing an increase of RMB18.2 billion compared to the end of the previous year.

As at the end of 2015, the balance of deposits of corporate customers in County Areas was 1,615.8 billion, representing an increase of 114.3 billion compared to the end of previous year. Loans for corporate customers in County Areas (excluding discounted bills) amounted to 1,829.6 billion, representing an increase of 92.5 billion compared to the end of previous year.

County Area Retail Banking Business

During the reporting period, we continued to promote the business transformation, accelerated the innovation of products and vigorously promoted the innovation and upgrading in “Huinongtong” project, resulting in an overall improvement in the service quality of County Area retail banking business.

We focused on the financial services to new agricultural business entities. Based on the thorough survey on new agricultural business entities, we established marketing files for each of them. We organized 1,252 training sessions for new agricultural business entities with 45 thousand participants in aggregate, including large-scale professional operators and family farmers. We continued to enhance the financial services to new agricultural business entities, including large-scale professional operators and family farms, by carrying out special marketing and targeted marketing. As of the end of 2015, the Bank had provided support to an accumulative number of 0.349 million large-scale professional operators and family farms with loans amounting to RMB36.9 billion, representing an increase of RMB19.5 billion compared to the end of the previous year.

Innovation of featured County Area products achieved positive progress. We developed certain bank-wide featured County Area products, such as mortgaged (pledged) loans to merchants in commodity market in County Areas and rural households housing loan for new rural dwelling. We also optimized and improved the micro-loan to rural households, loan to rural private business, loans to large-scale professional operators (family farms) and loans to farmers’ cooperatives. The Bank innovated and introduced a number of regional featured products, such as agricultural land loan, camellia loan, tobacco planter loan, agricultural machinery loan and milk loan by leveraging the effort in products innovation of tier-1 Branch and sub-branches for “Sannong”.

We further implemented “Huinongtong” project. As of the end of 2015, the Bank had established 0.65 million service stations and had 1.107 million electronic machines with 75.1% village coverage. We issued a total of 174 million Huinong Cards, representing an increase of 12.30 million cards. We secured the agency business of new rural insurance in 1,366 counties and developed new rural cooperative medical insurance projects in 825 counties. We secured a total of 8,425 agricultural-related agency projects such as agricultural-related financial subsidies and fees collection for public utility projects, representing an increase of 1,954 projects compared to the end of the previous year. We explored new models for connecting the “Huinongtong” project with internet finance. The Bank actively promoted new models of internet finance serving Sannong, such as the “e-Agricultural Steward”, “Sirong Platform” and “Yinxuntong”.

As of the end of 2015, the balance of deposits and loans for County Area Retail Banking Business amounted to RMB4,024.8 billion and RMB963.3 billion, representing an increase of RMB380.3 billion and RMB81.3 billion, respectively, compared to the end of the previous year.

Financial Position

Assets and Liabilities

As of 31 December 2015, the total assets of the County Area Banking Business reached RMB6,379,322 million, representing an increase of 9.2% compared to the end of the previous year. The total loans and advances to customers reached RMB2,860,193 million, representing an increase of 7.9% compared to the end of the previous year. The balance of deposits from customers reached RMB5,800,174 million, representing an increase of 9.2% compared to the end of the previous year.

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

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	2,860,193	—	2,651,646	—
Allowance for impairment losses on loans	(159,125)	—	(144,352)	—
Loans and advances to customers, net	2,701,068	42.3	2,507,294	42.9
Intra-bank balance ¹	3,174,640	49.8	2,865,734	49.1
Other assets	503,614	7.9	468,585	8.0
Total assets	6,379,322	100.0	5,841,613	100.0
Deposits from customers	5,800,174	96.8	5,312,573	96.4
Other liabilities	192,737	3.2	196,574	3.6
Total liabilities	5,992,911	100.0	5,509,147	100.0

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

Profit

In 2015, the profit before tax of our County Area Banking Business decreased by 1.8% to RMB75,402 million, compared to the previous year, primarily due to the increase in impairment losses on assets.

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

In millions of RMB, except for percentages

	2015	2014	Change	Growth Rate (%)
External interest income	166,863	166,526	337	0.2
Less: External interest expense	100,263	93,707	6,556	7.0
Interest income from intra-bank balance ¹	101,332	94,083	7,249	7.7
Net interest income	167,932	166,902	1,030	0.6
Net fee and commission income	28,191	28,196	(5)	—
Other non-interest income	4,756	2,980	1,776	59.6
Operating income	200,879	198,078	2,801	1.4
Less: Operating expenses	91,828	93,018	(1,190)	-1.3
Impairment losses on assets	33,649	28,240	5,409	19.2
Total profit before tax	75,402	76,820	(1,418)	-1.8

Note: 1. Interest income from intra-bank balance 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 the market interest rate.

Key Financial Indicators

In 2015, the return on average total assets of the County Area Banking Business was 0.97%, representing a decrease of 8 basis points compared to the previous year. The interest spread between deposits and loans was 4.21%, which was 50 basis points higher than that of the Bank. At 31 December 2015, the non-performing loan ratio of County Area Banking Business was 3.02%, representing an increase of 1.20 percentage points compared to the end of the previous year. The allowance to non-performing loans was 184.47% and the allowance to total loans was 5.56%.

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

Unit: %

Item	2015	2014
Return on average total assets	0.97	1.05
Average yield of loans	5.97	6.54
Average cost of deposits	1.76	1.77
Net fee and commission income to operating income	14.03	14.23
Cost-to-income ratio	41.71	41.63

Item	31 December 2015	31 December 2014
Non-performing loan ratio	3.02	1.82
Allowance to non-performing loans	184.47	298.52
Allowance to total loans	5.56	5.44

Risk Management

Comprehensive Risk Management System

Comprehensive risk management refers to the timely identification, measurement, monitoring and control of existing or potential risks in all aspects of business operation, processes and staff through the integration of elements of risk management including risk appetite, policies, organizations, tools and models, data systems and risk culture, so as to ensure effective risk management in decision making, implementation and supervision.

In 2015, we continued to strengthen our risk management system, and further enhanced the comprehensive risk management concept to increase our risk management capability, strengthened initiative and effectiveness of risk prevention and control, to provide strong support for our product innovation, business development and transformation. We strengthened the risk management of key areas and industries and carried out specialized management in credit risk of key areas, maintained the stability of the assets quality. We continued to refine limit management for market risk, formulated the policies for annual treasury transaction and investment and market risks management, and enhanced the risk management of wealth management and other businesses. We optimized and expanded the key indicator system for operational risk and strengthened the prevention and control of operational risk and cases. We continued to refine the strategy and management plan for business continuity and organized specialized assessment on operation risks.

We further reinforced the implementation and application of the advanced approach of capital management, and completed the field assessments of four advanced approaches of capital management, including the Internal Models Approach (IMA) of the market risk, the rating system for non-retail foreign clients, the proposal regarding the refinement of major benchmarks of non-retail rating and retail exposures IRB approach, cooperated with the CBRC. We actively following the implementation suggestions of CBRC and carried out the evaluation and rectification. Parameters for probability of default in the non-retail internal rating models were calibrated and optimized. We strengthened the continuous monitoring and regular validation of retail exposures IRB system to increase the accuracy and prudence of non-retail customer rating and retail customer scoring. We carried out a comprehensive validation of the Internal Models Approach (IMA) for market risk and optimized its measurement model. We continuously implemented the Advanced Measurement Approach (AMA) for operational risk and optimized its measurement model in order to enhance its stability and accuracy.

During the reporting period, the Risk Management Committee under our senior management held four meetings and discussed and considered several resolutions and reports, such as the annual operation of our internal rating systems, the management and control of our asset quality, the risk analysis report of off-balance sheet businesses and risk reports of subsidiaries. It also provided opinions and recommendations on the implementation of the advanced capital management approaches, the improvement of risk management mechanism, the specifying responsibilities of risk management and the enhancement of the management of credit risk, market risk, operational risk and liquidity risk.

Risk Appetite

Risk appetite is a term that refers to the types and levels of risks acceptable to the Bank as determined by the Board of Directors, which depends on the expectations and constraints of our major stakeholders, external operating environment and the conditions of the Bank, in order to achieve strategic targets and effective risk management. The risk appetite statement and the administrative measures for risk appetite described the types and levels of risks acceptable to the Bank during the course of operations. It established the risk limitation, specified the basic principles for formulating various risk management policies and set up the general rules for the formulation, adjustment, management duties and implementation of risk appetite.

We maintain a prudent and innovative risk appetite. We are devoted to positioning ourselves as a first-class modern commercial bank, maintaining our prudent and innovative risk appetite, operating in compliance with regulatory and legal requirements, and consistently implementing the New Basel Capital Accord and the new regulatory standards. At the same time, we seek to achieve moderate returns with reasonable levels of risk by maintaining security, profitability and liquidity and insisting on having an appropriate balance among capital, risk and revenue. We maintain sufficient risk allowance and capital adequacy, aim to improve our overall risk management capability for business development and innovation and create value through risk management, so as to effectively support the realization of our strategic targets.

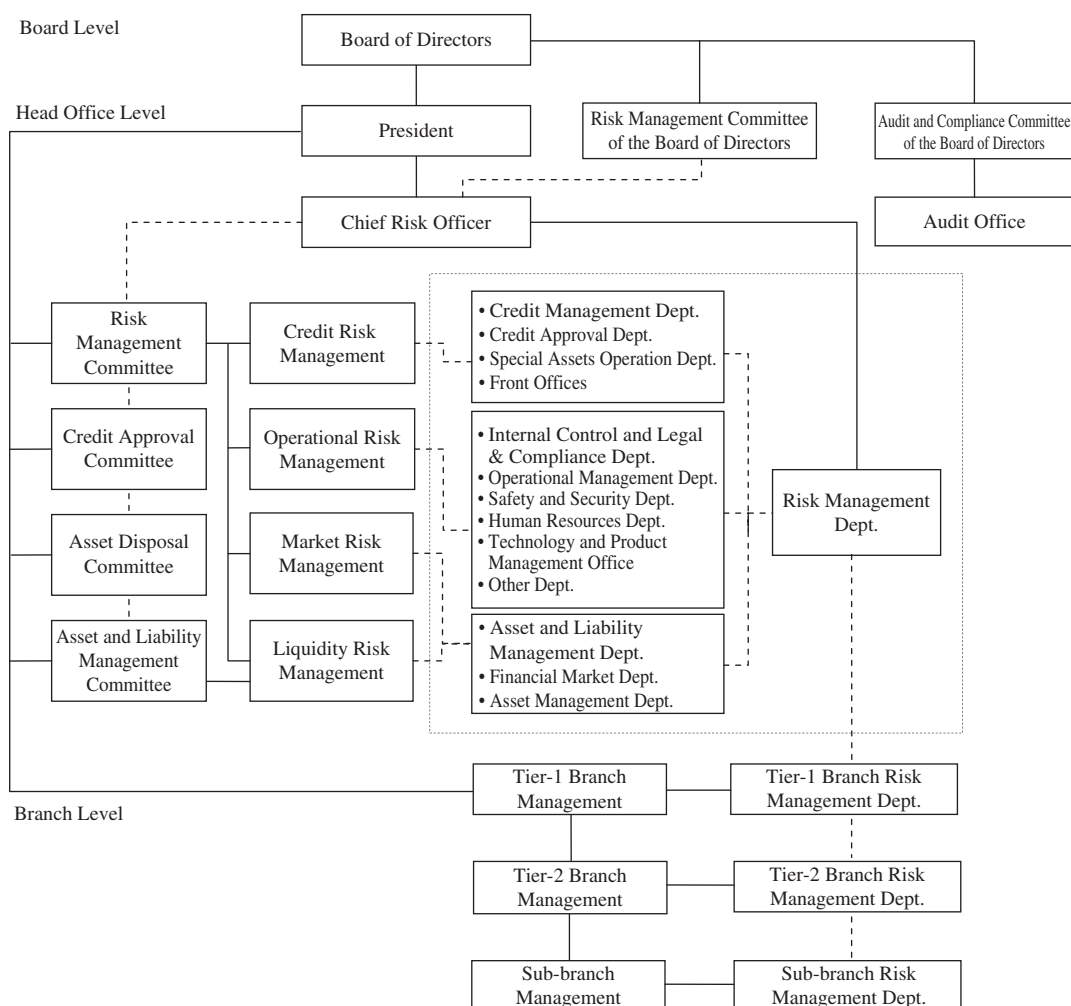
In 2015, the Bank adhered to the strategy of comprehensive, balanced and effective risk management and strictly implemented prudent and innovative risk appetite. We continuously improved the framework of risk appetite. Taking into account of the balance among capital, risk and revenue, we strengthened the guiding function of the economic capital. We refined credit, market and operating risk limit management system. We facilitated the effective integration of risk management and business development to enhance our risk management capability.

Risk Management Organizational Structure

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

Senior management is the organizer and executor of risk management of the Bank. Under the senior management oversight, we have various risk management committees with different functions, including Risk Management Committee (with three sub-committees, namely credit risk management committee, market risk management committee and operational risk management committee), Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Risk Management Committee is primarily responsible for considering material risk management issues, studying and drafting risk management policies, system and tools, analyzing and evaluating the overall risk condition of the Bank, and coordinating, guiding and reviewing the risk management of all departments and branches.

Based on the principle of “centralized management, matrix distribution, comprehensive coverage and full participation”, we continued to strengthen the “Three Defense Lines” of the risk management which are comprised of business departments (departments bearing risk), risk management departments and audit departments, among which, the risk management department is responsible for the organization of comprehensive risk management system and the implement of the New Basel Capital Accord. Each category of major risks is specialized its responsible management department. We identified the risk management responsibilities of relevant management departments and the departments bearing risk. We further strengthened the construction of the risk management teams of the Bank. Risk management training was carried out to strengthen professionals and duty performance of the risk management teams of the Bank.



Risk Management Structure

Risk Management System

In 2015, we continued to refine our risk management policy systems. For credit risk, we formulated the administrative measures on consolidated credits to group customers and the administrative measures on warning for the tolerance of rural non-performing loans, and revised industry-specific credit policies, the administrative measures on loans for merger and acquisition and the administrative measures on commercial housing mortgage loans to corporate customers. In terms of market risk, we formulated the policies for annual treasury transaction and investment and market risks management, and revised the administrative measures on risk management of wealth management business with fixed income asset portfolios. In terms of operational risk, we revised the reporting standard of the operational risk events.

Risk Analysis and Reporting

We closely followed the changes of economic and financial situation and national industrial policies and enhanced the risk monitoring and warning on key areas, industries, products and customers. We fully analyzed all kinds of risks and improved the timeliness and accuracy of risk reporting. We promoted the establishment of risk supervision and reporting IT system, and expanded the coverage and depth of risk analysis and reporting by utilizing various tools and approaches, including IRB, VaR, economic capital and stress testing.

Credit Risk

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

Credit Risk Management

In 2015, affected by the macro-economic situation, pressure on the increase in non-performing loans of banking industry rose continually. In response to the severe situation of credit risk control, the Bank strengthened its risk management system and optimized its credit structure in compliance with the macro-economic regulation and control policies of China. Following the development trend of industries and our risk exposure in relation to customers, the Bank issued risk mitigation policies in a timely manner and strengthened its risk prevention and control in key areas. The Bank made great efforts in collecting and disposal of non-performing loans to control the increase of non-performing loans.

Credit Risk Management Structure

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

Risk Management of Corporate Banking

The Bank refined the policy systems for risk management. Based on its businesses development, the Bank formulated the administrative measures on consolidated credits to group customers and the administrative measures on loans to urban hospitals. The Bank also revised various policies and systems, including industry-specific credit policies, administrative measures on loans for merger and acquisition, administrative measures on commercial housing mortgage loans to corporate customers, implementation rules on the disposal of collateral of non-performing loans, terms of reference of asset disposal committee and administrative measures on credit granting to domestic financial institutions, so as to regulate its business management and enhance its risk management capability.

Aiming to refine its credit structure, the Bank exerted a great effort in risk management in key areas. The Bank continued to carry out exposure limit management for Industries with high energy consumption, high pollution or overcapacity and strictly controlled the authorization of credit approval. The Bank regarded green credit indicators, namely efficiency, effectiveness, environmental protection, resource consumption and social management, as major decision making basis for customers' access, pre-loan credit check, loan approval, loan granting and post-disbursement management. The Bank strictly controlled the customers' access and authorization management in relation to loans to real estate industry and formulated special measures to control loans granted to real estate industry, so as to mitigate potential risks promptly. The Bank strengthened the management of loans to local governments by establishing management system for granting credit to local governments, and put effort, in the disposal, verification and replacement of

existing government debts. The Bank also strengthened the identification of group customers and implemented consolidated credit management of corporate customers at group level. We promoted centralized management of the global credit risk exposure of group customers. The Bank enhanced its management on key areas, including guarantee “chains”, guarantee “circles”, multiple loans and excessive credit granting, and mitigated the potential risk in a timely manner.

The Bank strengthened the post-disbursement management, and collection and disposal of non-performing assets. The Bank also improved its post-disbursement inspections and monitoring large exposure risk and exerted more efforts in collecting loans. With an aim to enhance its collection and disposal of non-performing assets, the Bank transferred non-performing loans in batches in addition to collecting loans by itself. The Bank also speeded up the write-offs of bad debt to reduce non-performing assets.

The Bank refined its tools and systems of credit risk management. The Bank researched and developed early warning model and system for credit risk, established early warning indicators base for corporate customers and designed early warning model, so as to initiate early warning on risks of small and micro enterprise customers. The Bank established risk monitoring templates in respect of four dimensions, including customer, product, structure and behavior, so as to discover credit fraud and reveal risk in a timely manner. Through establishing an open information service platform for credit review, the Bank received automatic warning on risks related to customers.

Risk Management of Retail Loans

The Bank refined its retail credit risk management and management system of suspension and resumption of retail loans, further clarified the responsibility of risk management and refined management standards and procedures. The Bank also continued to refine the centralized management of retail loans, made rating assessment on retail loan operation center, and adopted different authorization policies and credit scale for operation centers with different ratings. In order to refine the customer structure, the Bank improved the score cards for retail loan application and optimized its access criteria for loans. Through giving stress tests on retail assets and personal housing loans, the Bank was able to inspect the asset quality under stress and formulated effective countermeasures for preventing risks. The Bank aimed to mitigate risks through specialized management of risks in relation to key areas of retail loans. The Bank enhanced its risk monitoring and analysis in respect of regions, products and customers and issued early warning in a timely manner. Upon the launch of the system for overdue retail loans management, the policies and procedures for collection of retail loans were improved. The Bank maintained asset quality of retail loans by speeding up the write-offs of non-performing loans.

Risk Management of Credit Card Service

The Bank adopted strict access standards for credit card customers and controlled the maximum credit limit for each customer, strengthened the management of approval authorization. We enhanced application of our credit card rating by extending its coverage and optimizing the criteria of access. We refined the dynamic adjustment strategy for credit limit based on the customer's behavior score and collection strategy based on the customer's collection score. Telephone survey was conducted by the Head Office centrally to improve its survey efficiency and information accuracy. We launched a credit management system for credit cards with automatic risk

identification, real-time rating for personal credit record and model scoring so as to strengthen the whole-process risk management capabilities for credit cards. We enhanced our data mining and optimized the management strategies for cash out in order to promptly eliminate risks relating to cash out. We inspected the risks on platinum card and special loan installment, and strengthened risk warning. We introduced a collection system which strengthened centralized collection and collection through legal process. Collection evaluation mechanisms for branches and sub-branches according to the territorial principle were also established to improve collection efficiency.

Risk Management of Treasury Operations

In response to changes in the economy and capital market actively, we strengthened research and analysis to improve our risk prevention and control for treasury operations. We formulated risk policy for proprietary business and further specified the guidelines of business risk. We enhanced counterparty list-based management and refined the evaluation methods for corporate credit risks to improve our risk identification capabilities. We optimized the key management procedures such as approval of treasury operations and margins management. We promoted the implementation of domestic and foreign regulatory acts such as Foreign Account Tax Compliance Act (FATCA) and completed system upgrade. We also improved the signing mechanism of framework agreements such as the International Swaps and Derivatives Association (ISDA).

Risk Management of Business in County Area

Please refer to “County Area Banking Business — Management Structure and Management Mechanism — Risk Management”.

Loan Risk Classification

We formulated and refined relevant regulations on loan risk classification in accordance with the “Guidelines of Loan Credit Risk Classification” issued by the CBRC. We comprehensively assessed the recoverability of loans and classified the loans by taking account 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: (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 and certain corporate loans in counties which satisfied the small business standards required by the CBRC were managed with the five-category classification system. The credit management system automatically classified the loans based on the length of period by which payments of principal or interest were overdue and the collateral type and allowed for a more objective risk assessment. In addition, the classification was regularly adjusted based on the information collected in the credit management to reflect loan quality objectively.

During the reporting period, confronted with the complicated risk condition, we constantly strengthened the management of risk classification and improved the risk classification management system for credit assets, monitored risks related to industries, regions and key areas. Information on customers with potential risks was reviewed to timely and objectively reflect the risk changes. We made strict review and adjustment to classification, to improve the authorization of risk classification.

Credit Risk Analysis

Distribution of Loans by Collateral

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Loans secured by mortgages	4,265,801	47.9	3,939,049	48.7
Loans secured by pledges	1,198,000	13.5	974,469	12.0
Guaranteed loans	1,349,190	15.1	1,388,288	17.1
Unsecured loans	2,096,927	23.5	1,796,261	22.2
Total	8,909,918	100.0	8,098,067	100.0

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	98,465	1.1	73,139	0.9
Overdue for 91 to 360 days	105,098	1.2	56,457	0.7
Overdue for 361 days to 3 years (including 3 years)	63,251	0.7	22,821	0.3
Overdue for more than 3 years	12,698	0.1	14,203	0.2
Total	279,512	3.1	166,620	2.1

Loan Concentration

In millions of RMB, except for percentages

Top 10 borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	105,147	1.18
Borrower B	Real estate	20,380	0.23
Borrower C	Transportation, logistics and postal services	17,742	0.20
Borrower D	Production and supply of power, heat, gas and water	16,857	0.19
Borrower E	Transportation, logistics and postal services	16,526	0.19
Borrower F	Construction	16,355	0.18
Borrower G	Transportation, logistics and postal services	14,635	0.16
Borrower H	Information transmission, software and IT services	13,470	0.15
Borrower I	Production and supply of power, heat, gas and water	13,267	0.15
Borrower J	Production and supply of power, heat, gas and water	13,156	0.15
Total		247,535	2.78

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	31 December 2015		31 December 2014	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Normal	8,322,619	93.41	7,661,924	94.62
Special mention	374,432	4.20	311,173	3.84
Non-performing loans	212,867	2.39	124,970	1.54
Substandard	47,755	0.54	35,052	0.43
Doubtful	147,864	1.66	75,669	0.93
Loss	17,248	0.19	14,249	0.18
Total	8,909,918	100.00	8,098,067	100.00

At 31 December 2015, the balance of non-performing loans of the Bank was RMB212,867 million, representing an increase of RMB87,897 million compared to the end of the previous year. The non-performing loan ratio increased by 0.85 percentage point to 2.39%. The balance of special mention loans was RMB374,432 million, representing an increase of RMB63,259 million compared to the end of the previous year. Special mention loans accounted for 4.20% of total loans, representing an increase of 0.36 percentage point.

With slowing down economic growth and continuous progress over restructuring the economy, cutting overcapacity and deleveraging, we adhered to a strict approach to risk limitation and strengthened management of loan quality, maintaining effective control of the risks overall: (1) We established a complete and effective prevention and control system related to loan risks based on our principles of comprehensive risk management, and further improved the policies of credit rating for customers, allowance for impairment loss, measurement of economic capital and post-disbursement management; (2) We optimized the credit control mechanism by establishing a credit monitoring and control system with characteristics of geographical classification, full process monitoring, precaution alert and development-orientation, from perspectives of customer, product, structure and behavior. We adjusted and revised industry-specific credit policies, improved credit granting management system and implemented customer list-based management; (3) We emphasized mitigating risks of key industries and customers and strengthened credit risk management for industries with overcapacity and high risks as well as highly concerned industries; (4) We strengthened risk control by specifying the risk assessment plans and enhancing the coordination and cooperation between the Head Office and branches as well as among front, middle and back offices; (5) We adopted flexible measures for disposal and made more efforts in collection, batch transfer and write-off of non-performing loans.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentage

Item	31 December 2015			31 December 2014		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	177,453	83.3	3.30	103,072	82.5	2.00
Of which: Short-term corporate loans	142,154	66.7	6.23	78,579	62.9	3.57
Medium- and long-term corporate loans	35,299	16.6	1.14	24,493	19.6	0.83
Discounted bills	—	—	—	—	—	—
Retail loans	31,884	15.0	1.17	21,052	16.8	0.88
Residential mortgage loans	8,257	3.9	0.43	4,980	4.0	0.32
Credit card balances	6,059	2.8	2.73	3,866	3.1	1.73
Personal consumption loans	2,892	1.4	1.61	2,048	1.6	1.00
Loans to private business	8,495	4.0	3.69	4,461	3.6	1.70
Loans to rural households	6,020	2.8	3.59	5,421	4.3	3.51
Others	161	0.1	12.43	276	0.2	20.25
Overseas and others	3,530	1.7	0.79	846	0.7	0.21
Total	212,867	100.0	2.39	124,970	100.0	1.54

At 31 December 2015, the balance of corporate non-performing loans was RMB177,453 million, representing an increase of RMB74,381 million over the end of the previous year. The non-performing corporate loan ratio increased by 1.30 percentage points over the end of the previous year to 3.30%. The balance of retail non-performing loans increased by RMB10,832 million to RMB31,884 million over the end of the previous year, and the non-performing loan ratio increased by 0.29 percentage point to 1.17% over the end of the previous year.

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2015			31 December 2014		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	7	—	—	7	—	—
Yangtze River Delta	41,684	19.6	2.03	26,242	21.0	1.37
Pearl River Delta	29,600	13.9	2.34	16,790	13.4	1.51
Bohai Rim	40,005	18.8	2.73	26,727	21.4	1.93
Central China	28,084	13.2	2.48	18,656	14.9	1.83
Northeast China	6,036	2.8	1.66	5,368	4.3	1.71
Western China	63,921	30.0	3.23	30,332	24.3	1.68
Overseas and others	3,530	1.7	0.79	848	0.7	0.21
Total	212,867	100.0	2.39	124,970	100.0	1.54

At 31 December 2015, the balance of non-performing loans in Western China and Yangtze River Delta increased by RMB33,589 million and RMB15,442 million, respectively, over the end of the previous year.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2015			31 December 2014		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	74,522	42.0	5.45	51,360	49.8	3.69
Production and supply of power, heat, gas and water	2,785	1.6	0.47	2,324	2.3	0.44
Real estate	9,270	5.2	1.76	5,580	5.4	0.96
Transportation, logistics and postal services	5,210	2.9	0.58	2,734	2.6	0.36
Wholesale and retail	62,072	35.0	12.31	31,460	30.5	5.93
Water, environment and public utilities management	945	0.5	0.46	586	0.6	0.28
Construction	5,447	3.1	2.59	1,705	1.7	0.82
Mining	7,859	4.4	3.14	2,046	2.0	0.80
Leasing and commercial services	2,122	1.2	0.47	604	0.6	0.15
Finance	313	0.2	0.24	207	0.2	0.37
Information transmission, software and IT service	181	0.1	0.67	145	0.1	0.86
Others	6,727	3.8	3.09	4,321	4.2	1.96
Total	177,453	100.0	3.30	103,072	100.0	2.00

At 31 December 2015, the balance of non-performing loans increased most in wholesale and retail and manufacturing, by RMB30,612 million and RMB23,162 million, respectively.

Changes to the Allowance for Impairment Losses

In millions of RMB

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

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

In 2015, the Bank formulated policies for annual treasury transaction and investment and market risks management. We further optimized the system of limit indicators for market risk. We further improved the market risk management system by adding more parameters. The Bank performed comprehensive validation of the Internal Model Approach and continued to optimize the measurement models. We also cooperated with CBRC to evaluate the compliance of the advanced approach of capital management.

Market Risk Exposure Limit Management

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

In 2015, the Bank further optimized the indicator system for market risk limit and strengthened monitoring and control on the limits. Through squaring positions, hedging and reduction of transaction volume, the Bank controlled the market risk exposure in a timely manner.

Separation of Trading Book and Banking Book

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

Market Risk Management for Trading Book

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

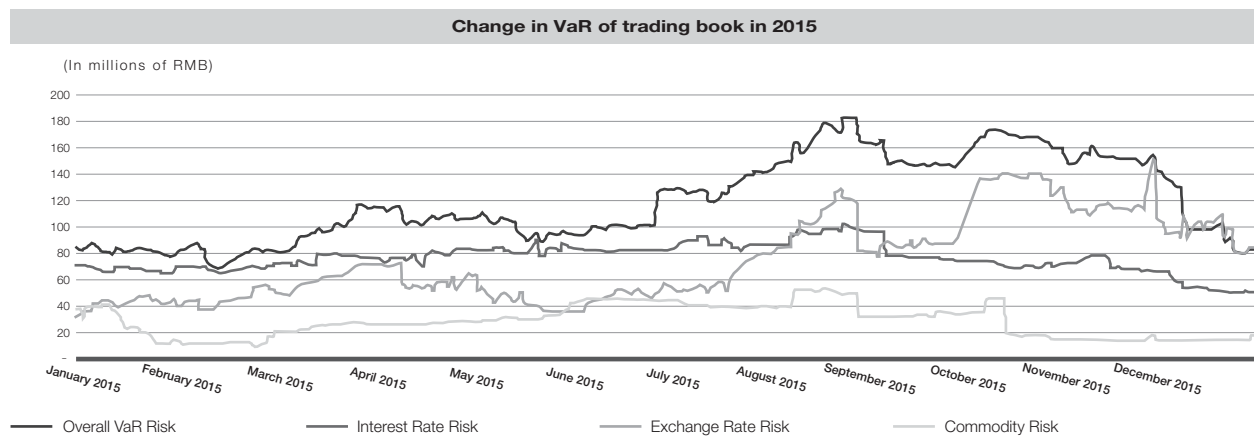
The Bank has adopted a historical simulation method, with a confidence level of 99% based on a holding period of 1 day and historical data for 250 days to calculate the VaR of the trading books of Head Office, and domestic and overseas branches. Based on the differences between domestic and overseas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

VaR Analysis for the Trading Book

In millions of RMB

Item	At the end of the period	2015			At the end of the period	2014		
		Average	Maximum	Minimum		Average	Maximum	Minimum
Interest rate risk	50	76	103	50	73	69	98	50
Exchange rate risk ¹	82	74	151	32	32	92	247	31
Commodity risk	18	29	53	9	36	21	36	2
Overall VaR	82	119	183	68	88	135	289	57

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



In 2015, the scale of portfolio of bonds and precious metals under trading book of the Bank increased, while the exposure of foreign exchange transaction portfolio decreased. Market fluctuation ratio of interest rate and precious metal prices significantly decreased. Therefore, the VaR of trading book was lower than that of 2014.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

Interest rate risk refers to risk causing loss to our income or economic value arising from adverse movements of the statutory or market interest rate. The interest rate risk of the banking book of the Bank 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 based.

In 2015, the Bank actively responded to the liberalization reform of interest rates. The Bank further improved its pricing model for loans and deposits and the differentiated pricing of loans and deposits to improve the market-oriented pricing capability. The Bank issued certificates of deposits to expand active liability channels. The Bank monitored implementations of the interest rate policies and adjusted internal fund transfer pricing promptly. Higher flexibility was allowed in pricing to minimize the impact of interest rate changes on the profitability of the Bank. The Bank measured the interest rate risk by a combination of methods, including gap analysis, duration analysis, static scenario simulation and stress testing. Analysis and forecast related to net interest margin was enhanced. The product and maturity structures of asset and liability portfolio were properly adjusted to maintain the overall interest rate risk within manageable level.

Exchange Rate Risk Management

Exchange rate risk refers to risk arising from mismatches in foreign currency denominated 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 mitigated in operations.

In 2015, the Bank monitored the exposures and performed sensitivity analysis of exchange rate risk regularly, coordinated the development of foreign currency denominated assets and liabilities business and strengthened the management of currency matching of foreign currency denominated assets and liabilities. The Bank flexibly adjusted the trading exposure and maintained the structural exposure stable to keep the risk exposure of exchange rate of the Bank within a reasonable range.

Interest Rate Risk Analysis

At the end of 2015, the accumulative negative gap sensitive to interest rate due within one year amounted to RMB534,906 million, representing an increase of RMB449,786 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
31 December 2015	(2,968,135)	554,253	1,878,976	(534,906)	42,874	1,627,830	(134,125)
31 December 2014	<u>(2,304,785)</u>	<u>472,000</u>	<u>1,747,665</u>	<u>(85,120)</u>	<u>(195,491)</u>	<u>1,237,959</u>	<u>(105,693)</u>

Note: Please refer to “Note IV. 49. Financial Risk Management: Market Risk” to the financial statements for details.

Interest Rate Sensitivity Analysis

In millions of RMB

	31 December 2015		31 December 2014	
	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Movements in basis points				
Increased by 100 basis points	(16,780)	(38,949)	(11,600)	(23,485)
Decreased by 100 basis points	<u>16,780</u>	<u>38,949</u>	<u>11,600</u>	<u>23,485</u>

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

Based on the composition of our assets and liabilities at 31 December 2015, if interest rates instantaneously increase (or decrease) by 100 basis points, net interest income would decrease (or increase) by RMB16,780 million, and other comprehensive income would decrease (or increase) by RMB38,949 million.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In 2015, the mid-point rate of RMB depreciated against USD accumulatively by 3,746 basis points or 6.12%. At the end of 2015, our negative foreign exchange exposure of on-balance sheet financial assets/liabilities was USD1,986 million, representing a decrease of USD7,533 million in absolute terms compared to the end of previous year.

Foreign Exchange Exposure

	<i>In million of RMB (USD)</i>			
	31 December 2015		31 December 2014	
		USD		USD
	RMB	equivalent	RMB	equivalent
Net foreign exchange exposure of on-balance sheet financial assets/ liabilities	(12,894)	(1,986)	(58,245)	(9,519)
Net foreign exchange exposure of off-balance sheet financial assets/ liabilities	<u>165,121</u>	<u>25,428</u>	<u>271,760</u>	<u>44,412</u>

Note: Please refer to “Note IV. 49. Financial Risk Management: Market Risk” to the financial statements for details.

In millions of RMB

Currency	Increase/ decrease in exchange rate of foreign currency against RMB	Impact on profit before tax	
		31 December 2015	31 December 2014
USD	+5%	(637)	1,586
	-5%	637	(1,586)
HKD	+5%	206	252
	-5%	(206)	(252)

Foreign currency assets and liabilities of the Bank were mainly 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 RMB637 million if USD appreciates (or depreciates) against RMB by 5%.

Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost to settle amounts due or fulfil other payment obligations or carry out ordinary operation of business and other needs of funds.

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

Liquidity Risk Management

The Bank closely monitored monetary policies and market changes, while strengthening our research and judgement on the macro-economic and financial environment, as well as factors that affected liquidity. The Bank strictly adhered to the risk limitations and secured its liquidity with the balanced relationship among security, liquidity and profitability. By adjusting and refining the asset and liability structure, and securing sources of deposits, the Bank ensured efficient market financing channels and maintained the proportion of reserve assets with high liquidity to satisfy the payment needs of customers. The Bank strengthened the real-time monitoring and flexible adjustment of its capital position. While ensuring sufficient reserves, the Bank enhanced the efficiency of capital operations and successfully dealt with liquidity problems caused by capital market fluctuations. Centralized management of excess reserves was promoted and six domestic branches realized zero balance management. Capital efficiency was enhanced as less funds were allocated to low interest rate investments. The centralized management of both domestic and overseas RMB-denominated funds was actively promoted to enhance efficiency of capital clearance through collaboration between domestic and overseas branches. The Bank implemented differentiated capital management policies to address the expansion of free trade zones. Our liquidity management tools were further improved with the introduction online capital management system for free trade zones, upgrade of the liquidity management information system, and establishment of a liquidity management module for CIPS.

Liquidity Risk Analysis

In 2015, the government's monetary policies remained prudent. Various measures were adopted by the PBOC to regulate market liquidity. The deposit reserve ratio of financial institutions was cut four times and targeted reduction of deposit reserve ratio was implemented five times, in order to moderately increase long-time liquidity. Open market operation was flexibly adopted to maintain reasonable and sufficient market liquidity, including the use of Short-term Liquidity Operations ("SLF"), Medium-term Lending Facility ("MLF"), and non-targeted reduction of deposit reserve ratio. Social financing costs were led to decline through five reductions in benchmark interest rates for loans and deposits and timely adjustments of credit policies to support re-financing, and the use of Medium-term Lending Facility ("MLF") and Pledged Supplementary Lending ("PSL"). The Bank continuously strengthened the monitoring of monetary policies, the changes in market liquidity, the development of its asset and liability business and its liquidity condition to increase the efficiency of fund utilization and ability to manage liquidity risk, on condition of securing the overall liquidity of the Bank. During the reporting period, the arrangement of cash flow for matured funds was reasonable whereas the overall liquidity of the Bank was sufficient, 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
31 December 2015	48,107	(8,194,380)	126,537	(263,526)	825,092	1,681,453	4,385,011	2,393,379	1,001,673
31 December 2014	<u>31,199</u>	<u>(7,219,512)</u>	<u>93,530</u>	<u>(268,594)</u>	<u>643,121</u>	<u>1,356,724</u>	<u>3,653,251</u>	<u>2,561,936</u>	<u>851,655</u>

Note: Please refer to “Note IV. 49. Financial Risk Management: Liquidity Risk” to the financial statements for details.

The Bank assessed liquidity risk through liquidity gap analysis. In order to enhance the profitability of assets, we moderately extended asset duration. As a result, the positive gap over five years increased by RMB731,760 million compared to the end of the previous year.

For details of Liquidity coverage ratio information of the Bank, please refer to “Appendix I: Liquidity coverage ratio information”.

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

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

In 2015, the Bank continued the trial application of AMA in the measurement of economic capital for operational risk and continuously optimized the measurement model so as to improve its stability and sensitivity. We refined the economic capital for operational risk measurement plan by optimizing the operational risk management score card, we urged our subsidiaries and branches to strengthen the management of key businesses so as to lower risks effectively. The Bank implemented tolerance management and set up the tolerance indicators system. Branches with risks exceeding the tolerance limit will be added additional economic capital. The reporting standards for events with operational risk were established to enhance the quality of loss data of operational risk. Specialized risk assessment was carried out for business operations and the risk prevention measures of key procedures was optimized to enhance the risk prevention capability. We further improved operational continuity management and analyzed its effect on business performance of the entire Bank. We also refined the contingency plan and conducted emergency and disaster drill to ensure our operational 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 associated with other forms of risks.

In 2015, we improved our legal risk management mechanism, strengthened legal risk prevention and control efforts through comprehensively governing the Bank by law. Endeavour was made to build a long-term legal education mechanism. We also duly completed the evaluation of the “Sixth Five-Year” Legal Education Program and formulated plans for the “Seventh Five-Year” Legal Education Program. We organized a series of educational activities featuring the general knowledge of the criminal law, legal requirements and legal compliance, so as to enhance the legal awareness of all the staff. We strengthened the management of formulation, amendment and abolishment of rules and regulations, and ensured the smooth implementation of policies. We strengthened and standardized our litigation management and conducted researches on cases by different categories in order to mitigate the material legal risks. Legal review, contract management and intellectual property management, were optimized to support and protect our business development. Furthermore, we improved legal risk reporting mechanism by raising the technological level of legal risk management, in order to enhance the legal risk prevention capability. In 2015, the Bank won the first place in the “Top 10 Listed Banks with Outstanding Legal Risk Management” selected by the Legal Daily, and was named as one of the “Best Banks with Outstanding Legal Risk Management in China” by the China Banking Association.

Anti-Money Laundering

In 2015, we reformed the operation model of Anti-Money Laundering (“AML”) and adopted centralized AML measures. We optimized the top-down design of organizational structure and established a sound internal control system to enhance the compliance and efficiency of AML. We also strengthened the establishment of AML information system, set up monitoring indicators, innovated the methods and procedures of risk monitoring analysis, and conducted evaluations on risks of money laundering to further enhance the technological support and prevention and control of risks of money laundering. We actively carried out promotion and trainings to improve the professional competence and duty performance of staff. In addition, we established a uniform compliance management framework of AML for domestic and overseas operations, supervised the overseas institutions and actively participated in the international exchanges on AML to effectively fulfill our international AML obligations.

Consolidated Risk Management

Consolidated risk management refers to comprehensive and continuous identification, measurement, monitoring, reporting and assessment on 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 at a controllable level.

In 2015, we further strengthened the consolidated risk management of our subsidiaries and branches and all risk indicators of the Group were in compliance with the regulatory requirements. We collected consolidated risk information regularly and carried out consolidated risk monitoring, analysis and reporting. Our risk assessment policies and consolidated risk reporting system were also refined. We provided guidance to the subsidiaries and branches to improve their risk management systems, and strengthened the coordinated risk management and control of the Bank and its subsidiaries. The risk status of our subsidiaries and branches remained stable.

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.

In 2015, we conducted inspection on reputation risk to identify potential reputation risks. We improved our public opinion analysis, warning and response ability. We further expanded the monitoring scope of reputation risk and specified the reporting roots and response procedures. Efforts were also made to speed up collection of public opinions and deal with incidents that may affect our reputation in advance. Training programs such as “reputation risk management” and “media response skills” were offered in the Agricultural Banking University, in order to strengthen the trainings regarding the prevention and control of reputation risk and media relationship management. We drafted the manual of media response under different scenarios and prevention of reputation risk and prepared animated tutorials in order to improve the awareness of reputation risk control and media response ability of our foundation-level staff. We made emergency response plan for material reputation events, with optimized prevention and control mechanism. We specified the responsibilities of reputation risk management, and strengthened coordination between all segments and departments of the Bank, to realize cooperative prevention and control of risk.

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 lead to business loss or other losses suffered by the Bank in that country or region.

We strictly complied with the regulatory requirements of the CBRC and involved 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 tests. We carry out rating and limit verification of country risk annually and make timely adjustment in risk limit and control measures based on business needs and changes in risks.

In 2015, in response to the complicated and changing international situation, we refined the country risk management system and procedures, and improved the country risk management system. We closely monitored the daily changes of risk exposure, tracked, monitored, reported country risk continuously, and adjusted country risk limit and control measures in a timely manner. Risk alert mechanism was strengthened and stress tests for country risk were performed to maintain effective management and control over country risk, while steadily promoting the strategy of internationalization.

Capital Management

During the reporting period, we strictly complied with the capital plan for 2013–2015 and the capital adequacy ratio plan for 2013–2018, adhered to our general principle of capital management and the target of capital adequacy ratio, enhanced the capital constraint and returns and established a comprehensive and effective capital management mechanism, to ensure the capital adequacy ratio can cover risks, create value and comply with regulatory requirements continuously. Advanced approaches of capital management were implemented and advanced capital measurement methods and other methods were adopted during the parallel run period to calculate the capital adequacy ratio in accordance with the requirements of the CBRC. Furthermore, the Bank expedited the establishment of internal capital adequacy assessment process (ICAAP), carried out the internal capital adequacy assessment for 2015, and completed the specialized audit on ICAAP for 2015.

As one of the global systemically important banks, we formulated the Recovery Plan of Agricultural Bank of China Limited and the Disposal Plan of Agricultural Bank of China Limited in accordance with the requirements of Financial Stability Board (FSB) and other relevant international and domestic regulatory requirements, and such plans were submitted to and approved by the work group for cross-border crisis management organized by domestic and overseas regulatory authorities upon consideration of the Board of Directors.

We continued to refine on- and off-balance sheet asset structure, further optimized the allocation of economic capital, focused on the strategic objectives of value creation and structural optimization and enhanced capital management consistently. Based on the improvement of the economic capital allocation among branches, we steadily refined the economic capital management system for business lines and consolidated the capital constraint to improve the efficiency of resources allocation.

In March 2015, we completed the issuance of the second tranche of 400 million preference shares with the proceeds of RMB40 billion. For details, please refer to “Details of Preference Shares”.

For details of the capital adequacy ratio of the Bank and credit risk exposures after risk mitigation, please refer to the *2015 Capital Adequacy Ratio Report* published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) by the Bank. For details of our leverage ratio, please refer to “Appendix II — Leverage Ratio Information”.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in Ordinary Shares

Details of changes in share capital

Unit: Share

	31 December 2014		Increase/decrease during the reporting period (+/-)			31 December 2015	
	Number of shares	Percentage ⁴ (%)	New shares issued	Others ³	Subtotal	Number of shares	Percentage ⁴ (%)
1) Shares subject to restrictions on sales¹	9,891,764,707	3.0	—	-9,891,764,707	-9,891,764,707	—	—
1. State-owned shares ²	9,891,764,707	3.0	—	-9,891,764,707	-9,891,764,707	—	—
2. Shares held by other domestic investors ²	—	—	—	—	—	—	—
3. Shares held by foreign investors ²	—	—	—	—	—	—	—
2) Shares not subject to restrictions on sales	314,902,352,293	97.0	—	+9,891,764,707	+9,891,764,707	324,794,117,000	100.0
1. RMB-denominated ordinary shares	284,163,529,197	87.5	—	+9,891,764,707	+9,891,764,707	294,055,293,904	90.5
2. Foreign-invested shares listed overseas ²	30,738,823,096	9.5	—	—	—	30,738,823,096	9.5
3. Total number of shares	324,794,117,000	100.0	—	—	—	324,794,117,000	100.0

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

Details of changes in shares subject to restrictions on sales

Unit: Share

Name of shareholders	Number of shares subject to restrictions on sales as at the beginning of the period	Number of shares released/ decreased from restrictions on sales during the period	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales as at the end of the period	Reason for restrictions on sales	Date of release of restrictions on sales
SSF ¹	9,891,764,707	9,891,764,707	—	—	Restrictions upon issuance	15 May 2015
Total	<u>9,891,764,707</u>	<u>9,891,764,707</u>	<u>—</u>	<u>—</u>	—	—

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

Details of Issuance and Listing of Securities

Issuance of Securities

For issuance of securities of the Bank during the reporting period, please refer to “Note IV. 35. Debt Securities Issued” to the financial statements for details.

Employee shares

The Bank had no employee shares.

Particulars of Ordinary Shareholders

Number of shareholders and particulars of shareholding

At the end of the reporting period, the Bank had a total of 592,572 shareholders, including 26,288 H share holders and 566,284 A share holders. As of 29 February 2016 (the last day of the month immediately preceding the date of the Bank's A share annual report), the Bank had a total of 590,992 shareholders, including 26,280 H share holders and 564,712 A share holders.

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

Unit: Share

Total number of shareholders

592,572 (as set out in the registers of A shares and H shares as of 31 December 2015)

Particulars of shareholding of the top 10 shareholders (the data below are based on the registers of shareholders as of 31 December 2015)

Name of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+/-)	Shareholding percentage (%)	Total number of shares	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Huijin	State-owned	A shares	-826,886,500	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	-30,790,551	9.03	29,321,667,440	—	Unknown
SSF	State-owned	A shares	—	3.02	9,797,058,826	—	None
China Securities Finance Corporation Limited	State-owned legal entity	A shares	5,004,661,962	1.57	5,083,804,258	—	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A shares	1,255,434,700	0.39	1,255,434,700	—	None
STANDARD CHARTERED BANK	Overseas legal entity	H shares	—	0.37	1,217,281,000	—	Unknown
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	—	0.37	1,188,757,000	—	None
Wutongshu Investment Platform Co., Ltd.	State-owned legal entity	A shares	980,723,700	0.30	980,723,700	—	None
Anbang Life Insurance Co., Ltd. — Steady Investment Portfolio	Other	A shares	881,309,280	0.27	881,309,280	—	None

Note: 1. All the shares held by the 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 31 December 2015.

2. The Bank received a letter from Huijin on 29 December 2015 whereby Huijin had transferred 1,255,434,700 A Shares of the Bank to its wholly-owned subsidiary, Central Huijin Asset Management Ltd., through share transfer by agreement. Please refer to the announcement published by the Bank on the websites of the Hong Kong Stock Exchange on 30 December 2015 and the Shanghai Stock Exchange on 31 December 2015.

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

Particulars of shareholding of the top 10 shareholders not subject to the restrictions on sales (the data below are based on the registers of shareholders as of 31 December 2015)

Name of shareholders	Number of shares not subject to restrictions on sales	Type of shares
Huijin	130,005,103,782	A shares
MOF	127,361,764,737	A shares
HKSCC Nominees Limited	29,321,667,440	H shares
SSF	9,797,058,826	A shares
China Securities Finance Corporation Limited	5,083,804,258	A shares
Central Huijin Asset Management Ltd.	1,255,434,700	A shares
STANDARD CHARTERED BANK	1,217,281,000	H shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,188,757,000	A shares
Wutongshu Investment Platform Co., Ltd.	980,723,700	A shares
Anbang Life Insurance Co., Ltd. — Steady Investment Portfolio	881,309,280	A shares

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

Shareholdings of substantial shareholders

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

MOF

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

As of 31 December 2015, the MOF held 127,361,764,737 shares of the Bank, accounting for 39.21% of the total share capital of the Bank.

Huijin

Huijin was established through state investment in accordance with the Company Law of the PRC on 16 December 2003 as a wholly state-owned company with a registered capital of RMB828,209 million. The registered address of Huijin is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing. The organizational code of Huijin is 71093296-1 and its legal representative is Mr. DING Xuedong. The State Council has authorized Huijin to make equity investments in major state-owned financial enterprises to preserve and appreciate the value of these state-owned financial assets. Huijin can exercise rights and assume obligations as an investor on behalf of the state to the extent of its capital contribution. Huijin does not engage in other commercial activities nor intervene in the normal operations of major state-owned financial enterprises which are controlled by Huijin.

As Huijin cannot provide its audited financial report for 2015 until the completion of the audits of the financial statements of its investees, the following financial data are the audited data for 2014. As of 31 December 2014, the total assets of Huijin amounted to RMB3,188,812,072.4 thousand, total liabilities was RMB161,227,620.2 thousand and the owners' equity was RMB3,027,584,452.2 thousand in total. The net profit for 2014 was RMB497,894,697.2 thousand. The net cash flows generated from operating activities, investing activities and financing activities for 2014 amounted to RMB41,856,325.6 thousand.

As of 31 December 2015, the direct shareholdings of Huijin in its investees were as follows:

No.	Name of Institutions	Shareholding of Huijin
1	China Development Bank Corporation	34.68%
2	Industrial and Commercial Bank of China Limited★ ☆ ¹	34.71%
3	Agricultural Bank of China Limited★ ☆	40.03%
4	Bank of China Limited★ ☆	64.02%
5	China Construction Bank Corporation★ ☆	57.11%
6	China Everbright Group Ltd.	55.67%
7	China Everbright Bank Company Limited★ ☆	21.96%
8	China Export & Credit Insurance Corporation	73.63%
9	China Reinsurance (Group) Corporation ☆	71.56%
10	New China Life Insurance Company Limited★ ☆	31.34%
11	China Jianyin Investment Limited	100.00%
12	China Galaxy Financial Holding Co., Ltd.	78.57%
13	Shenwan Hongyuan Group Co., Ltd.★	25.03%
14	China International Capital Corporation Limited ☆	28.45%
15	China Securities Co., Ltd.	40.00%
16	China Investment Securities Co., Ltd.	100.00%
17	Jiantou Zhongxin Asset Management Co., Ltd.	70.00%
18	Guotai Junan Investment Management Co., Ltd.	14.54%
19	Central Huijin Asset Management Ltd.	100.00%

Note: 1. ★ represents A share listed company; ☆ represents H share listed company.

As of the end of the reporting period, Huijin held 130,005,103,782 shares of the Bank, accounting for 40.03% of the total share capital of the Bank.

Except for MOF and Huijin, as of 31 December 2015, there was no other corporate shareholder who held 10% or more equity interest in the Bank.

Interests and short positions held by substantial shareholders and other persons

As of 31 December 2015, the Bank received notifications from the following persons regarding their interests or short positions in shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/nominee ¹	137,158,823,563 (A shares) ²	Long position	46.64	42.23
Huijin	Beneficial owner	130,005,103,782 (A shares)	Long position	44.21	40.03
BlackRock, Inc.	Interest of controlled entity	1,945,876,327 (H shares)	Long position	6.33	0.60
Citigroup Inc.	Interest of controlled entity	2,144,219,766 (H shares)	Long position	6.97	0.66
	Custodian — corporation/approved lending agent	46,908,449 (H shares)	Short position	0.15	0.01
	Security interest	2,038,279,547 (H shares)	Lending pool	6.63	0.63
JPMorgan Chase & Co.	Interest of controlled entity	1,427,010,999 (H shares)	Long position	4.64	0.44
	Custodian — corporation/approved lending agent	158,267,793 (H shares)	Short position	0.51	0.05
	Security interest	608,717,337 (H shares)	Lending pool	1.98	0.19
Qatar Holding LLC	Beneficial owner	4,267,172,500 (H shares)	Long position	13.88	1.31
Qatar Investment Authority	Interest of controlled entity ³	4,267,172,500 (H shares)	Long position	13.88	1.31

- Notes:*
1. 9,797,058,826 A shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the *Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China* issued by the MOF on 5 May 2010.
 2. According to the register of shareholders of the Bank as of 31 December 2015, 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. Qatar Investment Authority is deemed to be interested in 4,267,172,500 H shares held by Qatar Holding LLC, a wholly owned subsidiary of Qatar Investment Authority.

Details of Preference Shares

Issuance and Listing of Preference Shares

Stock Code of Preference Shares	Stock Name of Preference Shares	Issuance Date	Issuance Price (in RMB)	Coupon Rate of the Initial Dividend Period	Number of Preference Shares Issued	Listing Date	Number of Preference Shares Approved and Listed	Transfer Termination Date	Amount of Proceeds Raised (in RMB)	Use of Proceeds
360001	農行優1	2014/10/31	100 per share	6.00%	400 million shares	2014/11/28	400 million shares	N/A	40 billion	Replenish the additional tier-1 capital
360009	農行優2	2015/3/6	100 per share	5.50%	400 million shares	2015/3/27	400 million shares	N/A	40 billion	Replenish the additional tier-1 capital

For the terms and details of the issuance of the above preference shares, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

Number of Holders of Preference Shares and their Shareholdings

As of the end of the reporting period, the Bank had 25¹ holders of preference shares of “農行優1” (stock code: 360001). As of 29 February 2016 (being the last day of the month immediately preceding the date of the Bank’s A share annual report), the Bank had 25 holders of preference shares of “農行優1” (stock code: 360001).

Particulars of shareholding of the top 10 holders of preference shares “農行優1”(Stock code: 360001)

Unit: Share

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+,-)	Number of preference shares	Shareholding percentage (%)	Number of pledged or lock-up preference shares
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. Anbang Life Insurance Co., Ltd. is a subsidiary of Anbang Insurance Group Co., Ltd. and Anbang Life Insurance Co., Ltd. — Steady Investment Portfolio is managed by Anbang Life Insurance Co., Ltd. Save as mentioned above, the Bank is not aware of any connections between the above shareholders of preference shares, and between the above shareholders of preferences shares and the top 10 ordinary shareholders or whether they are parties acting in concert.

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

1 The number of the holders of preference shares was calculated by the number of the qualified investors that hold the preference shares. When calculating the number of the 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 the end of the reporting period, the Bank had 28 holders of preference shares of “農行優2” (stock code: 360009). As of 29 February 2016 (the last day of the month immediately preceding the date of the Bank’s A share annual report), the Bank had 28 holders of preference shares of “農行優2” (stock code: 360009).

Particulars of shareholding of the top 10 holders of preference shares “農行優2” (Stock code: 360009)

Unit: Share

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

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

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

Profit Distribution of Preference Shares

Dividends on the preference shares 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 holders of preference shares of the Bank, upon receiving dividends at the agreed rate, shall not participate together with ordinary shareholders in the distribution of the remaining profit.

On 5 November 2015, the Bank paid cash dividends of RMB6.00 (tax inclusive) per share and RMB2.4 billion (tax inclusive) in aggregate, calculated by coupon rate of 6%, to holders of 農行優1 (stock code: 360001) whose names appeared on the register of members at the close of business on 4 November 2015.

On 11 March 2016, the Bank paid cash dividends of RMB5.50 (tax inclusive) per share and RMB2.2 billion (tax inclusive) in aggregate, calculated by coupon rate of 5.50%, to holders of 農行優2 (stock code: 360009) whose names appeared on the register of members at the close of business on 10 March 2016.

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

Redemption and Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policies

In accordance with *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments* and *Rules on the Financial Liability and the Equity Instruments and Relevant Accounting Treatment* issued by the MOF, the Bank is of the view that the terms of the issuance of preference shares conform to the accounting requirements of equity instruments. Therefore, the preference shares issued will be counted as equity instruments.

Directors, Supervisors and Senior Management

Basic Information

Name	Position	Gender	Age	Tenure
Incumbent Directors				
ZHAO Huan	Vice Chairman, Executive Director, President	Male	52	2016.03–2019.03
CAI Huaxiang	Executive Director, Executive Vice President	Male	56	2015.09–2018.09
LOU Wenlong	Executive Director, Executive Vice President	Male	58	2012.12–2018.12
ZHAO Chao	Non-executive Director	Male	57	2012.02–2018.02
ZHOU Ke	Non-executive Director	Male	49	2014.07–2017.07
ZHANG Dinglong	Non-executive Director	Male	59	2015.01–2018.01
CHEN Jianbo	Non-executive Director	Male	52	2015.01–2018.01
HU Xiaohui	Non-executive Director	Male	56	2015.01–2018.01
XU Jiandong	Non-executive Director	Male	52	2015.02–2018.02
Frederick MA Si-hang	Independent Non-executive Director	Male	64	2011.04– ²
WEN Tiejun	Independent Non-executive Director	Male	64	2011.05–2017.06
Francis YUEN Tin-fan	Independent Non-executive Director	Male	63	2013.03–2019.03
XIAO Xing	Independent Non-executive Director	Female	45	2015.03–2018.03
LU Jianping	Independent Non-executive Director	Male	52	2015.06– ²
Incumbent Supervisors				
YUAN Changqing	Chairman of the Board of Supervisors	Male	54	2015.06–2018.06
WANG Xingchun	Supervisor Representing Shareholders	Male	51	2014.06–2017.06
ZHENG Xin	Supervisor Representing Employees	Male	57	2011.07–2017.12
XIA Zongyu	Supervisor Representing Employees	Male	51	2013.05–2016.05
XIA Taili	Supervisor Representing Employees	Male	53	2014.12–2017.12
LI Wang	External Supervisor	Male	51	2015.06–2018.06
LV Shuqin	External Supervisor	Female	65	2015.06–2018.06

Name	Position	Gender	Age	Tenure
Incumbent Senior Management				
ZHAO Huan	Vice Chairman, Executive Director, President	Male	52	2016.03–
CAI Huaxiang	Executive Director, Executive Vice President	Male	56	2010.02–
GONG Chao	Executive Vice President, Secretary of the Party Discipline Committee	Male	56	2012.03–
LOU Wenlong	Executive Director, Executive Vice President	Male	58	2012.09—
WANG Wei	Executive Vice President	Male	53	2013.12–
LIN Xiaoxuan	Executive Vice President	Male	51	2015.09–
ZHANG Keqiu	Secretary to the Board of Directors	Female	52	2015.06–
Former Directors, Supervisors and Senior Management				
LIU Shiyu	Former Chairman, Executive Director	Male	54	2014.12–2016.02
ZHANG Yun	Former Vice Chairman, Executive Director, President	Male	56	2009.01–2015.12
Anthony WU Ting-yuk	Former Independent Non-Executive Director	Male	61	2009.01–2015.06
QIU Dong	Former Independent Non-Executive Director	Male	58	2009.01–2015.06
SHEN Bingxi	Former Non-Executive Director	Male	64	2009.01–2015.01
CHENG Fengchao	Former Non-Executive Director	Male	56	2009.01–2015.01
XIAO Shusheng	Former Non-Executive Director	Male	60	2012.02–2015.01
CHE Yingxin	Former Chairman of Board of Supervisors	Male	61	2009.01–2015.04
JIA Xiangsen	Former Supervisor Representing Employees	Male	60	2009.04–2015.10
DAI Genyou	Former External Supervisor	Male	66	2012.10–2015.06
LI Zhenjiang	Former Executive Vice President	Male	45	2013.10–2016.03
ZHU Gaoming	Former secretary to the Board of Directors	Male	51	2014.05–2015.05

- Notes: 1. Please refer to “Changes in Directors, Supervisors and Senior Management” in this section for the information relating to the changes in Directors, Supervisors and senior management.
2. Mr. Frederick MA Si-hang and Mr. LU Jianping resigned as Independent Non-executive Directors and from positions at relevant special committees of the Board of the Bank due to work arrangements in December 2015. Mr. Frederick MA Si-hang and Mr. LU Jianping will continue to perform their duties as Independent Non-executive Directors until the CBRC ratifies the eligibilities of the newly nominated Independent Non-executive Directors to meet the requirements of relevant regulatory rules and the Articles of Association.

Biography of Directors, Supervisors and Senior Management

Biography of Directors

ZHAO Huan Vice Chairman, Executive Director, President

Mr. ZHAO Huan received a Bachelor's degree in engineering from Xi'an Jiaotong University and holds a certificate of senior economist. He has served as Vice Chairman, Executive Director and the President of the Bank since March 2016. Mr. Zhao previously served in China Construction Bank, successively as deputy director and director of Business Management Division of Banking Credit Department, director of General Administration Division of Corporate Business Department, Deputy General Manager of Corporate Business Department, Vice President of Xiamen Branch, General Manager of Corporate Business Department, and President of Shanghai Branch. He has served as the Executive Vice President of China Construction Bank since March 2011. Since January 2014, Mr. Zhao has served successively as executive director of China Everbright Group Limited, China Everbright Group Ltd., executive director and the President of China Everbright Bank Company Limited.

CAI Huaxiang Executive Director, Executive Vice President

Mr. CAI Huaxiang received a Master's degree in Engineering from China University of Geosciences and is a senior economist. He has served as Executive Vice President of the Bank since February 2010 and as Executive Director and Executive Vice President of the Bank since September 2015. Mr. CAI previously served successively as deputy director of the Personnel Bureau of China Development Bank; president of Nanchang branch and Jiangxi branch of China Development Bank; general manager of Operation Department of China Development Bank and president of Beijing branch of China Development Bank. Mr. CAI was appointed as vice president of China Development Bank Corporation in September 2008. He concurrently serves as the vice chairman of the 5th Committee of China International Finance Society.

LOU Wenlong Executive Director, Executive Vice President

Mr. LOU Wenlong holds a Bachelor's degree and is a senior economist. He has served as a member of senior management of the Bank since August 2012. He has served as Executive Vice President of the Bank since September 2012 and as Executive Director and Executive Vice President of the Bank since December 2012. Mr. LOU previously served as secretary of the Youth League Committee, head of Students' Affairs Division and chief of the Teaching and Researching Office of Urban Finance of Zhejiang Banking College. Mr. LOU later served in several positions in the PBOC, including secretary of Youth League Committee of the Head Office of Zhejiang Branch, vice division chief and division chief of Zhejiang Branch, director and assistant commissioner of Banking Inspection Division, Hangzhou Financial Supervision Office of Shanghai Branch, and deputy head of the supervisory team for China Construction Bank of Banking Supervision Department I. He was then appointed to several positions successively in the CBRC, including deputy director and then director of Banking Supervision Department II in September 2005, and director-general of Beijing Office in February 2009. He is now serving as the head of management department of Shanghai Branch of the Bank, a guest professor with Capital University of Economics and Business, and the vice chairman of the 7th session of the Committee of the China Institute of Rural Finance.

ZHAO Chao Non-executive Director

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

ZHOU Ke Non-executive Director

Mr. ZHOU Ke holds a Bachelor's degree. He currently works with Central Huijin Investment Ltd. He has served as Non-executive Director of the Bank since July 2014. Mr. ZHOU started working with the MOF in 1988, and served successively as deputy director of Water Resources Division of Department of Agriculture; director of the Science and Technology Division, director of Project Management Department III and director of Policy Research Department of the National Agricultural Comprehensive Development Office; deputy director of the National Agricultural Comprehensive Development Evaluation Center, and deputy director of the National Agricultural Comprehensive Development Office.

ZHANG Dinglong Non-executive Director

Mr. ZHANG Dinglong received a Doctor's degree in Law from Minzu University of China. He currently works with Central Huijin Investment Ltd. Mr. ZHANG has served as Non-executive Director of the Bank since January 2015. He used to serve as deputy director (in charge) of Issue Division of the Liaison Office of the Rural Policy Research Office of the Secretariat of the Central Committee and Rural Development Research Center of the State Council, division head and deputy director of the Rural Economy Research Department, director of the Secretariat Department, deputy director of the Security Committee and chairman of the Labor Committee of State Council Research Office. He is a representative of the 11th and 12th National People's Congress and a special supervisor of the Supreme People's Court.

CHEN Jianbo Non-executive Director

Mr. CHEN Jianbo received a Doctor's degree in Management from Renmin University of China. He currently works with Central Huijin Investment Ltd. Mr. CHEN has served as Non-executive Director of the Bank since January 2015. He used to serve as an assistant research fellow and deputy director of the Rural Policy Research Office of the Secretariat of the Central Committee and the Enterprise Research Division of the Development Research Department of the Rural Development Research Center of the State Council, director and research fellow of the Rural Department of the Development Research Center of the State Council, counsel of the Central Financial Affairs Leading Group Office and the Rural Group 1 of the Central Rural Affairs Leading Group Office.

HU Xiaohui Non-executive Director

Mr. HU Xiaohui holds a Bachelor's degree and is an Economist. He currently works with Central Huijin Investment Ltd. Mr. HU has served as Non-executive Director of the Bank since January 2015. He used to be a deputy director of Xiangtan Group, deputy director (in charge) of Yiyang Group, deputy director (in charge) of the general office, deputy director and director of the general division, director of the Division I, assistant commissioner, secretary of the party committee, deputy counsel, deputy inspection commissioner and discipline inspection team leader of Office of the Finance Discipline Inspection Commissioner of MOF in Hunan Province.

XU Jiandong Non-executive Director

Mr. XU Jiandong holds a Bachelor's degree. He currently works with Central Huijin Investment Ltd. Mr. XU has served as Non-executive Director of the Bank since February 2015. He used to work with the State Administration of Foreign Exchange (the "SAFE") successively in several positions, including deputy director of the Market Exchange Rate Division of the Balance of Payment Department, director of the Banking Foreign Exchange Balance of Payment Management Division of the Balance of Payment Department, deputy counsel of the Balance of Payment Department. He also used to serve as deputy director of the Financial Affairs Office of Jilin Province and deputy counsel of the Management and Inspection Department of the SAFE.

Frederick MA Si-hang Independent Non-executive Director

Mr. Frederick MA Si-hang received a Bachelor's degree in Arts from the University of Hong Kong. He has served as Independent Non-executive Director of the Bank since April 2011. Mr. MA previously served as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region since 2002, and Secretary for Commerce and Economic Development of the Government of the Hong Kong Special Administrative Region since 2007 until he resigned in July 2008. Mr. MA used to serve as the managing director in the London Office of RBC Dominion Securities, managing director and Asia chief of Global Private Bank of Chase Manhattan Bank, Asia-Pacific chief executive of J.P. Morgan Private Bank, vice chairman and managing director of Kumagai Gumi (HK) Limited, chief financial officer and executive director of PCCW Limited. He concurrently serves as the chairman of MTR Corporation Limited, a member of the international advisory council of China Investment Corporation, a senior advisor of China Strategic Holdings Limited, a director of Husky Energy Inc., external director of COFCO Limited, an independent non-executive director of FWD Group and external director of China Mobile Communications Corporation. He is an honorary professor of the School of Economics and Finance at The University of Hong Kong, an honorary professor of Faculty of Business Administration of the Chinese University of Hong Kong, an honorary doctor of Lingnan University of Hong Kong, an honorary advisor to the School of Accountancy of Central University of Finance and Economics, professor of the Institute of Advanced Executive Education of The Hong Kong Polytechnic University and a member of the global advisory committee of the Bank of America Group. Mr. MA was awarded Gold Bauhinia Star in 2009 and appointed as Non-official Justice of the Peace in 2010, respectively, by the Government of the Hong Kong Special Administrative Region.

WEN Tiejun Independent Non-executive Director

Mr. WEN Tiejun holds a Ph.D. degree in Management. He has served as Independent Non-executive Director of the Bank since May 2011. He currently serves as second-grade professor of Renmin University of China, executive president of the Institute of Advanced Study of Sustainable Development, director of China Rural Economy and Finance Research Institute and head of Rural Construction Center. He has also served as a member of the National Environment Advisory Committee, ministerial adviser and advisory expert of the Ministry of Commerce, the State Forestry Administration, State Administration of Grain, Beijing and Fujian Province of the PRC. Mr. WEN was elected as vice president of the Chinese Association of Agricultural Economics in 2007 and a member of the Disciplinary Assessment Team under the Academic Degree Commission of the State Council of the PRC since 2008. He was previously a researcher of the Research Center for Rural Economy of Ministry of Agriculture of the PRC, deputy secretary-general of the China Society of Economic Reform and the head of School of Agricultural Economics and Rural Development of Renmin University of China.

Francis YUEN Tin-fan Independent Non-executive Director

Mr. Francis YUEN Tin-fan received a Bachelor's degree in Economics from University of Chicago and is a member of the Shanghai Municipal Committee of CPPCC. He is now a non-executive vice chairman of Pacific Century Regional Developments Limited, and has served as Independent Non-executive Director of the Bank since March 2013. Mr. YUEN previously served as chief executive of the Hong Kong Stock Exchange, vice chairman and executive director of Pacific Century Group, chairman and board representative of Pacific Century Group Japan Co., Ltd., vice chairman and executive director of PCCW Limited, vice chairman of Pacific Century Premium Developments Limited, executive chairman of Pacific Century Insurance Holdings Limited, vice chairman and executive director of Pacific Century Regional Developments Limited and a non-executive director of Kee Shing (Holdings) Limited (currently known as Gemini Investments (Holdings) Limited) and an independent non-executive director of China Pacific Insurance Group Co., Ltd. Mr. YUEN is currently serving as an independent non-executive director of China Foods Limited and China Chengxin International Credit Rating Co., Ltd. He is also chairman of the board of trustees of the Hong Kong Centre for Economic Research, chairman of the advisory committee of Ortus Capital Management Limited, and a member of the board of trustees of the University of Chicago and Fudan University in Shanghai.

XIAO Xing Independent Non-executive Director

Ms. XIAO Xing holds a Ph.D. degree in Accounting. She is currently the chair of Accounting Department of School of Economics and Management, professor and tutor for Ph.D. candidates of Tsinghua University. She has served as Independent Non-executive Director of the Bank since March 2015. During her tenure, she visited Harvard University, Massachusetts Institute of Technology, University of Wisconsin for study or as a senior visiting scholar. She was elected as a Fulbright scholar in 2011. Ms. XIAO Xing used to serve as a member of the expert panel of China Development Bank, an independent consultant for the World Bank and an independent director of Beijing Thunisoft Corporation Limited. She concurrently serves as a board member of the Finance and Cost Sub-society of the Accounting Society of China, a member of the Teaching Collaboration Committee for Accounting of Universities in Beijing, vice editor of China Accounting and Finance Review, an editor and editorial board member of China Accounting Review, a senior research fellow of Corporate Governance Research Centre of Tsinghua University, and an independent director of Rongxin Power Electronic Co., Ltd., GoerTek Inc. and Dohia Home Textile Co.,Ltd., respectively.

LU Jianping Independent Non-Executive Director

Mr. LU Jianping holds a Doctor degree in Law and is currently the standing associate dean of the Criminal Law Science Research Institute, professor and tutor for Ph.D. candidates of Beijing Normal University. He has served as Independent Non-executive Director of the Bank since June 2015. He used to serve as director of the International Economic Law Department, associate dean of the Foreign Trade College and director of the Public Management Department of Zhejiang University and executive director of Criminal Law Science Research Center of Renmin University of China. He serves concurrently as director of China Law Society, vice president of Criminology Research Committee of China Law Society, director of International Association of Penal Law and standing vice chairman of China branch of International Association of Penal Law, and director of International Society of Social Defence.

Biography of Supervisors

YUAN Changqing Chairman of Board of Supervisors

Mr. YUAN Changqing holds an international MBA degree from the University of Hong Kong and is a senior economist. He has served as Chairman of the Board of Supervisors of the Bank since June 2015. Since June 2000, he previously served as the president of Xinjiang Branch and Henan Branch of the Industrial and Commercial Bank of China and the general manager of Human Resources Department of Industrial and Commercial Bank of China. From December 2008, he served as the secretary of the Party Discipline Committee of China Everbright Group Limited,. From August 2012, he served as executive director, vice president, secretary of the Party Discipline Committee of China Everbright Group Limited (during September 2011 to September 2014, he also served as the Chairman of Everbright Securities Co., Ltd). From December 2014, he served as the vice general manger and secretary of the Party Discipline Committee of China Everbright Group Ltd..

WANG Xingchun Supervisor Representing Shareholders

Mr. WANG Xingchun received a Master's degree in Economics from the Graduate School of the PBOC and is a senior economist. He has served as the Supervisor representing shareholders of the Bank since June 2014. Mr. WANG previously served successively in several positions in the Bank, including deputy director of the Policy Research Division of the Research Office, director of the Policy Research Division of the Development Planning Department, assistant to general manager of the Development Planning Department and the Market Development Department, deputy general manager of the Market Development Department and deputy general manager of Training Department. He was appointed as vice president of Tianjin Training Institute of the Bank in February 2002, general manager of the Legal Affairs Department of the Bank in November 2003, general manager of the Legal and Compliance Department of the Bank in June 2006, general manager of the Legal Affairs Department of the Bank in July 2008, supervisor representing employees and general manager of the Legal Affairs Department of the Bank in April 2009, supervisor representing employees and branch principal of the Audit Office's Affiliated Office of the Bank in March 2011, branch principal of the Audit Office's Affiliated Office of the Bank in July 2011, and director of Office of the Board of Supervisors in March 2014.

ZHENG Xin Supervisor Representing Employees

Mr. ZHENG Xin graduated with a junior college diploma and is a senior accountant. Mr. ZHENG has served as Supervisor representing employees of the Bank since July 2011. He previously served as the assistant to the director of the Personnel Department in Shanghai branch, director of the Personnel and Education Department of Shanghai Pudong branch, deputy director of the Personnel Department, deputy director and director of the Finance and Accounting Department, secretary of Party Committee and president of Xuhui Sub-branch, member of Party Committee and vice president of Shanghai branch, deputy secretary of Party Committee (in charge), secretary of Party Committee and president of Anhui branch of the Bank, secretary of Party Committee and president of Shanghai branch of the Bank and general manager of the Internal Control and Compliance Department of the Bank. He has served as the general manager of the Internal Control and Legal & Compliance Department of the Bank since July 2011.

XIA Zongyu Supervisor Representing Employees

Mr. XIA Zongyu holds a Master's degree and is a senior economist. Mr. XIA has served as Supervisor representing employees of the Bank since May 2013. He used to serve in several positions in the Executive Office of the Bank, including deputy director of the General Division, deputy director and director of the Policy Research Division, and director of the Document Management Division. Mr. XIA was appointed to several positions in the Bank, including deputy general manager of the Executive Office in October 2003, principal of the Sannong Retail Banking Department in April 2008, general manager of the Sannong Retail Banking Department in July 2008 and vice president of Fujian branch in June 2009. He was appointed as principal of the Labour Union Affairs Department in November 2012 and general manager of the Labour Union Affairs Department in January 2013.

XIA Taili Supervisor Representing Employees

Mr. XIA Taili holds a Bachelor's degree. He has served as Supervisor representing employees of the Bank since December 2014. He used to serve as deputy director of the General Division in the Third Discipline Inspection Office of the Central Commission for Discipline Inspection, and at the same time as deputy secretary of the CPC County Committee in Zhangpu County, Fujian Province. He used to serve in several positions with the Central Commission for Discipline Inspection, including director level inspector, supervisor and deputy director of the General Division in the Third Discipline Inspection Office, director level inspector and supervisor of the Second Discipline Inspection Office, director of the Second Division and the General Division in the Second Discipline Inspection Office, deputy bureau level discipline inspection commissioner and supervisor in the Second Discipline Inspection Office, deputy bureau level discipline inspection commissioner and supervisor in the Seventh Discipline Inspection Office and general manager of the Inspection Work Leading Group Office of the Bank. He served as deputy secretary of the CPC Discipline Committee and general manager of the Inspection and Supervision Department of the Bank since April 2014. He has served as general manager of the Inspection and Supervision Office of the Bank since March 2015.

LI Wang External Supervisor

Mr. LI Wang holds a Doctor degree in Law. He has served as external Supervisor of the Bank since June 2015. From November 1997 until now, he has been working in the School of Law of Tsinghua University as a professor and tutor for Ph.D. candidates. He previously worked as a teaching assistant at the Faculty of Law of Kyoto University and as a lawyer at Sakamoto Law Firm in Japan, Oh-Ebashi LPC & Partners in Japan and J&R Law Firm in Beijing. He concurrently serves as a lawyer at the Tiantai Law Firm and an independent director at Beijing Capital Land Ltd.

LV Shuqin External Supervisor

Ms. LV Shuqin holds a Bachelor degree. She has served as external Supervisor of the Bank since June 2015. Since July 2014, she has been a partner of Union Power CPAs Co., Ltd and currently she is also an independent director of WanXiang Doneed Co., Ltd. She previously worked as an accountant in charge of materials in the industrial management department of Xiping County of Henan Province. She also served as deputy director of general office of China Logistics Publishing House of the Ministry of Material Supplies, the director of finance department, assistant to the general manager, chief accountant of China Wood Company of the Ministry of Material Supplies, the head of the audit department of Huajian Accounting Firm and the planning and development department of China Audit Certified Public Accountants LLP, the deputy chief accountant of Zhongrui Yuehua Certified Public Accountants LLP and the deputy head of China Audit Asia Pacific Certified Public Accountants LLP.

Biography of Senior Management

For detailed biographies of ZHAO Huan, CAI Huaxiang and LOU Wenlong please see “Biography of Directors” in this section. The biographies of other senior management members are as follows:

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

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

WANG Wei Executive Vice President

Mr. WANG Wei received a Master’s degree in Economics from Nanjing Agricultural University and is a senior economist. He has served as a member of senior management of the Bank since December 2011 and an Executive Vice President of the Bank since December 2013. Mr. WANG previously served in several positions in the Bank, including as deputy president of Ningxia branch, deputy president of Gansu branch, president of Gansu branch, president of Xinjiang branch and president of Xinjiang Production and Construction Corps branch, general manager of the General Office of the Bank and president of Hebei branch, general manager of the Internal Control and Compliance Department, general manager of the Human Resources Department and chief officer of the Sannong Business. He is concurrently the vice chairman of the fourth committee of Chinese Society of Financial Ideological and Political Work and a member of the fourth national standing committee of Chinese Financial Association.

LIN Xiaoxuan Executive Vice President

Mr. LIN Xiaoxuan received a Master's degree in Engineering from East China Normal University and a Master's degree in International Business Administration from Fudan University and the University of Hong Kong. He is a researcher and an expert entitled to Government Special Allowance granted by the State Council. He has served as Executive Vice President of the Bank since September 2015. Mr. Lin previously served several positions subsequently in Industrial and Commercial Bank of China Limited ("ICBC"), including the director of Technology Protection Section and Head of Software Development and Operation Centre of Fujian Branch, the Deputy General Manager of Technology Protection Department of the Head Office and General Manager of Information and Technology Department of the Head Office, during which period he concurrently served as the General Manager of Data Centre of the Head Office. Mr. Lin served as the Chief Officer of Information and Technology and General Manager of Information and Technology Department of ICBC since July 2009 and the Chief Information Officer of ICBC since December 2010.

Zhang Keqiu Secretary to the Board of Directors

Ms. Zhang Keqiu received a Master's degree in Economics from Nankai University. Ms. Zhang is a senior accountant and an expert entitled to Government Special Allowance granted by the State Council. She has served as secretary to the Board of the Bank since June 2015. Ms. Zhang had previously served in various positions in the Bank, including deputy director of Funds Division and director of System Management Division of the International Business Department, director of Finance Division of Finance and Accounting Department, general manager of Business Department of Beijing Branch and chief representative of London Representative Office. She was appointed as deputy general manager of Finance and Accounting Department in April 2004, deputy general manager of Accounting and Settlement Department in May 2006, deputy general manager of Planning and Finance Department in April 2008, deputy general manager of Finance and Accounting Department and special resident auditor in Beijing Branch and Tianjin Branch concurrently in November 2008, general manager of Asset and Liability Management Department of the Bank in August 2009, general manager of Finance and Accounting Department of the Bank in June 2011. Ms. Zhang has served as chief financial officer and general manager of Finance and Accounting Department of the Bank since November 2012. Ms. Zhang is currently also a deputy secretary-general of executive committee of the Banking Accounting Society of China.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 5 December 2014, Mr. ZHAO Chao was re-elected as a Non-executive Director of the Bank and Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong were elected as Non-executive Directors of the Bank at the first Extraordinary General Meeting in 2014. The eligibility of Mr. HU Xiaohui was ratified by the CBRC on 14 January 2015. The eligibility of Mr. ZHANG Dinglong and Mr. CHEN Jianbo was ratified by the CBRC on 15 January 2015. The eligibility of Mr. XU Jiandong was ratified by the CBRC on 28 February 2015.

On 15 January 2015, Mr. ZHANG Yun was re-elected as an Executive Director of the Bank and Ms. XIAO Xing and Mr. LU Jianping were elected as Independent Non-executive Directors of the Bank at the first Extraordinary General Meeting in 2015. The eligibility of Ms. XIAO Xing was ratified by the CBRC on 6 March 2015 and the eligibility of Mr. LU Jianping was ratified by the CBRC on 5 June 2015.

On 16 January 2015, Mr. SHEN Bingxi, Mr. CHENG Fengchao and Mr. XIAO Shusheng resigned as Non-executive Directors of the Bank due to the expiry of their terms of office.

On 5 June 2015, Mr. Anthony WU Ting-yuk and Mr. QIU Dong resigned as Independent Non-executive Directors of the Bank due to the expiry of their terms of office.

On 29 June 2015, Mr. CAI Huaxiang was elected as our Executive Director at the 2014 Annual General Meeting of the Bank. The eligibility of Mr. CAI Huaxiang was ratified by the CBRC on 7 September 2015.

On 10 December 2015, Mr. LOU Wenlong was re-elected as an Executive Director of the Bank and Mr. Francis YUEN Tin-fan was re-elected as Independent Non-Executive Director of the Bank at the second Extraordinary General Meeting in 2015.

On 4 December 2015, Mr. ZHANG Yun resigned as Vice Chairman and Executive Director of the Bank due to personal circumstances.

On 31 December 2015, Mr. Frederick MA Si-hang and Mr. LU Jianping resigned as Independent Non-executive Directors of the Bank due to work arrangements. Mr. Frederick MA Si-hang and Mr. LU Jianping will continue to perform their duties as Independent Non-executive Directors until the CBRC ratifies the eligibilities of the newly nominated Independent Non-executive Directors to meet the requirements of relevant regulatory rules and the Articles of Association.

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

On 8 March 2016, Mr. ZHAO Huan was elected as an Executive Director of the Bank and Mr. WANG Xinxin was elected as an Independent Non-executive Director of the Bank at the first Extraordinary General Meeting in 2016. Mr. ZHAO Huan was also elected as the Vice Chairman of the Bank by the Board on the same day. The eligibility of Mr. ZHAO Huan was ratified by the CBRC on 24 March 2016. The eligibility of Mr. WANG Xinxin is subject to the ratification of the CBRC.

Changes in Supervisors

On 28 April 2015, Mr. CHE Yingxin resigned as Chairman of the Board of Supervisors, Chairman of Due Diligence Supervision Committee and Chairman of Finance and Internal Control Supervision Committee of the Bank due to his age.

On 29 June 2015, Mr. YUAN Changqing was elected as Supervisor representing shareholders of the Bank and Mr. LI Wang and Ms. LV Shuqin were elected as external Supervisors of the Bank at the 2014 Annual General Meeting. In addition, Mr. DAI Genyou resigned as an external Supervisor of the Bank.

On 29 June 2015, at the seventh meeting in 2015 of the Board of Supervisors of the Bank, Mr. YUAN Changqing was elected as Chairman of the Board of Supervisors, Chairman of Due Diligence Supervision Committee and Chairman of Finance and Internal Control Supervision Committee of the Bank, and Mr. LI Wang was elected as member of Due Diligence Supervision Committee, Ms. LV Shuqin was elected as member of Finance and Internal Control Supervision Committee.

On 26 October 2015, Mr. JIA Xiangsen resigned as Supervisor representing employees and member of Finance and Internal Control Supervision Committee of the Bank due to his age.

Changes in Senior Management

On 5 May 2015, due to change of job assignment, Mr. ZHU Gaoming tendered his resignation from the position as the secretary to the Board of the Bank.

On 25 May 2015, Ms. ZHANG Keqiu was appointed as the secretary to the Board by the Board. The eligibility of Ms. ZHANG Keqiu was ratified by the CBRC on 24 June 2015.

On 29 June 2015, Mr. LIN Xiaoxuan was appointed as Executive Vice President of the Bank by the Board. The eligibility of Mr. LIN Xiaoxuan was ratified by the CBRC on 7 September 2015.

On 4 December 2015, Mr. ZHANG Yun resigned as the President of the Bank due to personal circumstances.

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

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

Annual Remuneration

According to relevant government regulations, since 1 January 2015, the remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors as well as other deputy head of the Bank shall be paid in line with the *Interim Measures for the Reform of Payroll System of Person-in-charge in State-controlled Financial Enterprises*. The Bank has paid remuneration based on such measures. Remuneration of the above-mentioned personnel for 2015 is subject to confirmation and will be disclosed in further announcement.

The remuneration of Directors, Supervisors and senior management for 2015 is set out in the table below.

Unit: RMB Ten Thousand

Name	Position	Remuneration paid (before tax) (1)	Contribution to all kinds of social insurance, housing fund, etc. (2)	Salary of part- time positions (3)	Total remuneration before tax (4)=(1)+(2)+(3)
ZHAO Huan	Vice Chairman, Executive Director, President	-	-	-	-
CAI Huaxiang	Executive Director, Executive Vice President	40.32	11.89	-	52.21
LOU Wenlong	Executive Director, Executive Vice President	40.32	11.89	-	52.21
ZHAO Chao	Non-executive Director	-	-	-	-
ZHOU Ke	Non-executive Director	-	-	-	-
ZHANG Dinglong	Non-executive Director	-	-	-	-
CHEN Jianbo	Non-executive Director	-	-	-	-
HU Xiaohui	Non-executive Director	-	-	-	-
XU Jiandong	Non-executive Director	-	-	-	-
Frederick MA Si-hang	Independent Non-executive Director	-	-	39.65	39.65
WEN Tiejun	Independent Non-executive Director	-	-	39.88	39.88
Francis YUEN Tin-fan	Independent Non-executive Director	-	-	37.55	37.55
XIAO Xing	Independent Non-executive Director	-	-	29.24	29.24
LU Jianping	Independent Non-executive Director	-	-	-	-
YUAN Changqing	Chairman of the Board of Supervisors	26.13	7.21	-	33.34
WANG Xingchun	Supervisor Representing Shareholders	-	-	-	-
ZHENG Xin	Supervisor Representing Employees	-	-	3.00	3.00
XIA Zongyu	Supervisor Representing Employees	-	-	3.00	3.00
XIA Taili	Supervisor Representing Employees	-	-	3.00	3.00
LI Wang	External Supervisor	-	-	14.27	14.27
LV Shuqin	External Supervisor	-	-	14.27	14.27
GONG Chao	Executive Vice President, Secretary to the Party Discipline Committee	40.32	11.89	-	52.21
WANG Wei	Executive Vice President	40.32	11.89	-	52.21
LIN Xiaoxuan	Executive Vice President	20.16	6.27	-	26.43
ZHANG Keqiu	Secretary to the Board of Directors	40.49	15.63	-	56.12

Notes:

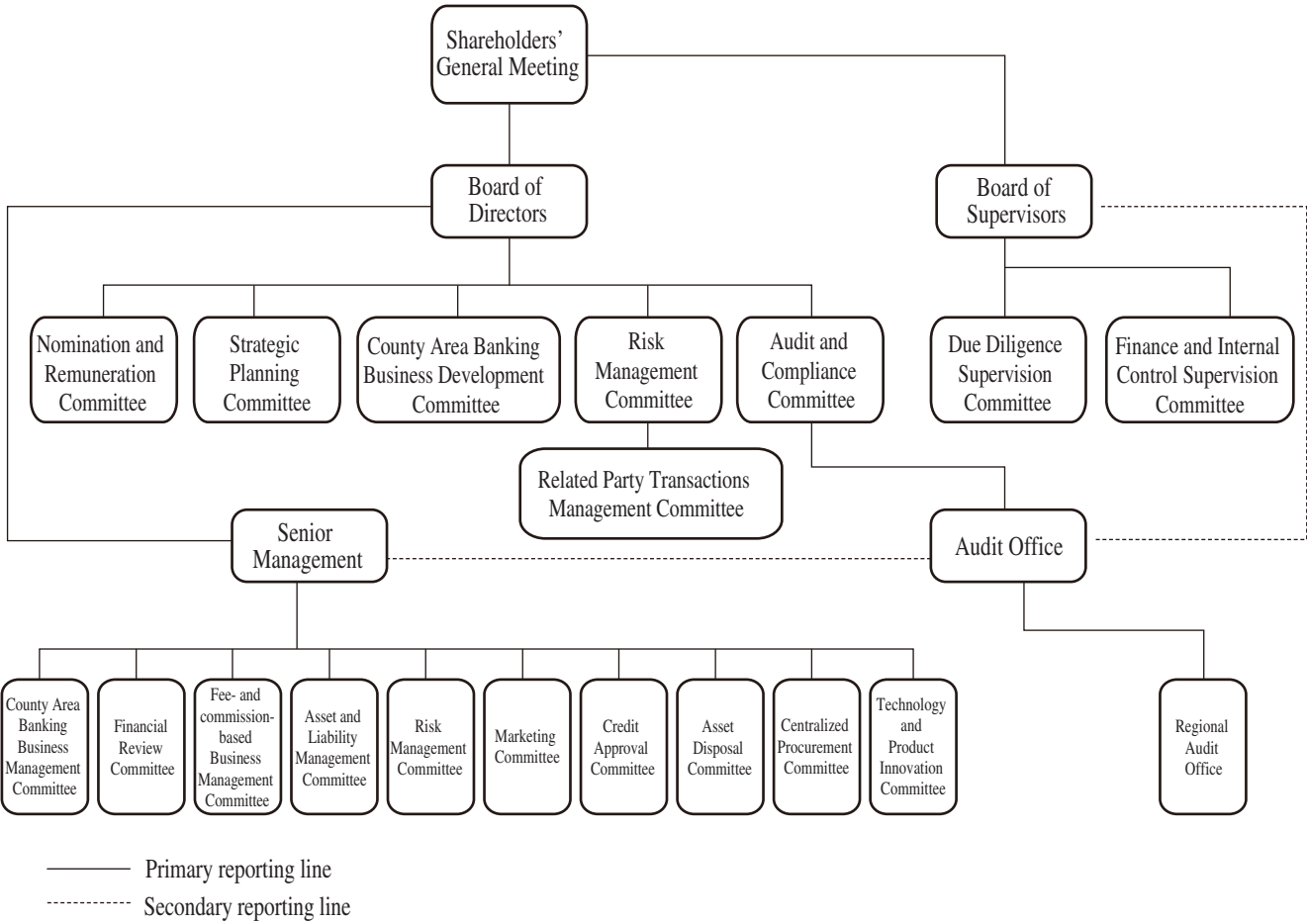
1. The Directors, Supervisors and senior management members of the Bank who are also our employees are entitled to receive emoluments from the Bank. The emoluments include salary, bonus and contributions to all kinds of social insurance and housing fund from the Bank. The Independent Non-executive Directors of the Bank are entitled to receive salaries and allowances. The External Supervisors of the Bank are entitled to receive allowances. The Chairman, Executive Directors and senior management members did not receive any remuneration from any subsidiary of the Bank.

2. Mr. ZHAO Chao, Mr. ZHOU Ke, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong, as our Non-executive Directors, were not entitled to receive any remuneration from the Bank.
3. Mr. LIU Shiyu received remuneration of RMB566,900 during his term of office in the Bank in 2015.
4. Mr. ZHANG Yun received remuneration of RMB566,900 during his term of office in the Bank in 2015.
5. The former Non-executive Directors, namely Mr. SHEN Bingxi, Mr. CHENG Fengchao and Mr. XIAO Shusheng did not receive any remuneration from the Bank.
6. The remuneration of Mr. QIU Dong as a former Independent Non-executive Director in 2015 was RMB163,800.
7. The remuneration of Mr. Anthony WU Ting-yuk as a former Independent Non-executive Director in 2015 was RMB157,000.
8. Mr. CHE Yingxin received remuneration of RMB186,800 during his term of office in the Bank in 2015.
9. Mr. WANG Xingchun was not entitled to receive any remuneration of part-time position from the Bank in 2015 as our Supervisor Representing Shareholders.
10. The remuneration of Mr. JIA Xiangsen as a former Supervisor Representing Employees of the Bank in 2015 was RMB25,000.
11. The remuneration of Mr. DAI Genyou as a former External Supervisor of the Bank in 2015 was RMB138,100.
12. Mr. LI Zhenjiang received remuneration of RMB522,100 during his term of office in the Bank in 2015.
13. Mr. ZHU Gaoming received remuneration of RMB590,300 during his term of office in the Bank in 2015.
14. The total remuneration paid to the Directors, Supervisors and senior management by the Bank in 2015 was RMB8,002,800.
15. Several corporations or organizations become the related parties of our Bank due to engagements of our Independent Non-executive Directors and Supervisors as Directors and senior management members in these corporations or organizations. Save as mentioned above, the Directors, Supervisors and senior management members of the Bank did not receive remuneration from other related parties of the Bank during the reporting period.

At the end of 2015, Mr. ZHENG Xin, a Supervisor of the Bank, held 375,000 A shares of the Bank. Save as disclosed above, no other Directors, Supervisors or senior management members held any shares of the Bank. During the reporting period, none of the Directors, Supervisors and senior management members of the Bank held share options or were granted restricted shares of the Bank.

Corporate Governance

We continuously put great efforts to modernize our corporate governance system and capacities in order to refine the development concept and further consolidate the governance foundation. During the reporting period, we have been in compliance with the laws, regulations, regulatory rules of places where the Bank’s shares are listed and other requirements. Each governance body operates independently to balance, cooperate and coordinate effectively and efficiently with one another, which forms a sound mechanism contributes to the objective decision-making process of the Board of Directors, efficient implementation of the senior management and close supervision of the Board of Supervisors. Composition of the Board of Directors, Board of Supervisors and other special committees have been adjusted and various corporate governance works were conducted to consistently enhance our capacities of maintaining strategies, risk management, internal control, transparency and in other aspects.



Corporate Governance Structure Chart of the Bank

Corporate Governance Code

During the reporting period, we complied with all principles and code provisions stipulated in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

The Board of Directors has actively performed its corporate governance duties, by responsibility formulating the amendments to the Articles of Association, Rules of Procedures of Shareholders' General Meeting and Rules of Procedures of Board of Directors, establishing the relevant corporate governance system and evaluating and improving the corporate governance of the Bank continuously. The Board of Directors has established several special committees which perform their functions strictly in accordance with the applicable requirements of corporate governance.

Board of Directors and Special Committees

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors comprised 14 members, including three Executive Directors, namely Mr. LIU Shiyu, Mr. CAI Huaxiang and Mr. LOU Wenlong; six Non-executive Directors, namely Mr. ZHAO Chao, Mr. ZHOU Ke, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong; and five Independent Non-executive Directors, namely Mr. Frederick MA Si-hang, Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan, Ms. XIAO Xing and Mr. LU Jianping. Details of the incumbent Directors are set out in the section headed "Directors, Supervisors and Senior Management".

Functions of the Board of Directors

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

- convening of the Shareholders' General Meetings and reporting to the Shareholders' General Meetings;
- implementation of the resolutions of the Shareholders' General Meetings;
- decision on development strategy (including development strategy of the County Area Banking Business);
- decision on business plan and investment plan;
- formulation of proposal of annual financial budgets and final accounts;
- formulation of profit distribution and loss appropriation plans;

- formulation of plan of increase or reduction of registered capital;
- formulation of plan of issuance of corporate bonds or other securities and listing plan;
- formulation of plan of merger, division, dissolution and changes in the corporate form of the Bank;
- formulation of plan of repurchase of the ordinary shares;
- formulation of general management systems and policies, and supervision of the implementation of the general management systems and policies;
- formulation and improvement of the general management system of risk management and internal control of the Bank; review and approval of general risk management report and plan on allocation of risk-based capital of the Bank, and evaluation of effectiveness and improvement of risk management;
- formulation of amendments to the Articles of Association, Rules of Procedures of Shareholders' General Meetings and Rules of Procedures of Board of Directors and establishment of the relevant corporate governance system;
- assessment and improvement of the corporate governance of the Bank;
- decision on matters concerning the preference shares of the Bank in issue as authorized by Shareholders' General Meetings, including but not limited to repurchase, conversion and distribution of dividends; and
- other functions conferred by laws, administrative regulations, departmental rules and the Articles of Association or authorized by Shareholders' General Meetings.

Meetings of the Board of Directors

The Board of Directors shall consider matters by way of board meetings. During the reporting period, the Board of Directors convened a total of nine meetings, at which 42 proposals were considered and approved, including the 2014 annual report, the 2014 corporate social responsibility report and the nominations of our Directors. During the reporting period, the attendance of Directors at Shareholders' General Meetings, meetings of the Board of Directors and special committees of the Board of Directors is listed below:

Number of attendance in person¹/meetings requiring attendance

Directors	Shareholders' General Meeting	Meetings of the Board of Directors	Meetings of Special Committees of the Board of Directors					Related Party Transactions Management Committee
			Strategic Planning Committee	County Area Banking Business Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management Committee	
LIU Shiyu	2/3	8/9	3/4					
ZHANG Yun	2/2	6/6	4/4	3/3	7/7			
CAI Huaxiang	1/1	3/3	1/1				1/1	
LOU Wenlong	3/3	7/9	3/4	1/2			2/2	
SHEN Bingxi	1/1							
CHENG Fengchao	1/1							
XIAO Shusheng	1/1							
ZHAO Chao	3/3	9/9	4/4				2/3	1/1
ZHOU Ke	3/3	9/9		3/3	6/6		4/4	
ZHANG Dinglong	2/2	9/9	3/3	3/3		3/3		
CHEN Jianbo	2/2	9/9	3/3	2/3			2/3	
HU Xiaohui	2/2	9/9	3/3	3/3		3/3		
XU Jiandong	2/2	8/8			5/5		3/3	
Anthony WU Ting-yuk	1/1	4/4	2/2		3/3		1/1	
QIU Dong	1/1	4/4			3/3	2/2	1/1	
Frederick MA Si-hang	3/3	8/9			5/6	4/5	1/3	0/1
WEN Tiejun	3/3	9/9	3/3	3/3	6/6	4/5		
Francis YUEN Tin-fan	3/3	8/9				5/5	4/4	1/1
XIAO Xing	2/2	7/8		3/3	4/5	2/3		
LU Jianping	2/2	5/5			3/3		2/2	

Note: 1. Attendance in person includes on-site attendance and attendance by way of electronic communication, such as telephone and video conference. During the reporting period, Directors who did not attend the meetings of the Board of Directors or special committees thereof in person had appointed other Directors as proxies to attend and to vote at the meetings.

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

As at the end of the reporting period, the qualification, number and proportion of our Independent Non-executive Directors were in compliance with the requirements of regulatory authority. Independent Non-executive Directors are not involved in any business or financial interests of the Bank or its subsidiaries and do not take any managerial position in the Bank. We have received annual independence confirmations from all Independent Non-executive Directors and confirmed their independence.

During the reporting period, our Independent Non-executive Directors duly attended the meetings of the Board of Directors and the special committees thereof, and provided independent and objective advice on various material decisions (including the profit distribution plan and the nomination of our Directors) by taking advantage of their professional capabilities and industrial experiences. Our Independent Non-executive Directors strengthened the communication with the senior management, specialized departments and external auditors and thoroughly studied the operation and management of the Bank by attending significant work meetings, listening to special reports and attending seminars with external auditors. They diligently fulfilled their obligations and performed their duties, complied with the Work Measures for Independent Directors, provided strong support to the Board of Directors for making rational decisions and protected the interests of the Bank and its shareholders as a whole. We highly value the relevant opinions and advice from the Independent Non-executive Directors and adopted such opinions and advice based on our actual situation.

During the reporting period, no objection was made to the resolutions of the Board of Directors or special committees by Independent Non-executive Directors. Details of the performance of Independent Non-executive Directors were disclosed in the Working Report of Independent Directors for the Year, which was published on the website of the Shanghai Stock Exchange.

Special Committees of the Board of Directors

The Board of Directors established the Strategic Planning Committee, the County Area Banking Business Development Committee, the Nomination and the Remuneration Committee, the Audit and Compliance Committee and the Risk Management Committee (with the Related Party Transactions Management Committee thereunder). During the reporting period, the Board of Directors made the following adjustments to the composition of the special committees of the Board of Directors:¹

In January 2015, Mr. SHEN Bingxi, Mr. CHENG Fengchao and Mr. XIAO Shusheng ceased to serve as the members of relevant special committees of the Board due to expiry of term. For details, please refer to the announcements published by the Bank on the websites of the Hong Kong Stock Exchange on 21 January 2015 and the Shanghai Stock Exchange on 22 January 2015;

¹ On 21 February 2016, Mr LIU Shiyu resigned as Chairman and member of the Strategic Planning Committee due to work arrangements.

In March 2015, the Board considered and passed the proposal on the changes in chairman and members of the special committees of the Board, and the members of the special committees of the Board, namely Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick MA Si-hang, Mr. WEN Tiejun, Mr. Francis YUEN Tin-fan, Ms. XIAO Xing, Mr. LU Jianping, Mr. ZHAO Chao, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong were changed correspondingly. For details, please refer to the announcements published by the Bank on the websites of the Hong Kong Stock Exchange on 24 March 2015 and the Shanghai Stock Exchange on 25 March 2015;

Mr. CAI Huaxiang was appointed as a member of the Strategic Planning Committee and Risk Management Committee.

Mr. LOU Wenlong was appointed as a member of the County Area Banking Business Development Committee and ceased to act as a member of the Risk Management Committee.

Mr. Zhang Yun resigned as the chairman of the County Area Banking Business Development Committee and member of the Strategic Planning Committee and Nomination and Remuneration Committee.

Strategic Planning Committee

At the end of the reporting period, the Strategic Planning Committee of the Board of Directors comprised of eight Directors, including Mr. LIU Shiyu (Chairman), Mr. CAI Huaxiang and Mr. LOU Wenlong (all are Executive Directors), Mr. CHEN Jianbo, Mr. ZHAO Chao, Mr. ZHANG Dinglong and Mr. HU Xiaohui (all are Non-executive Directors) and Mr. WEN Tiejun (Independent Non-executive Director). Mr. LIU Shiyu, the Chairman, has been appointed as the chairman of the Strategic Planning Committee. The primary duties of the Strategic Planning Committee are to review the overall development strategy and specific strategic development plans, major investment and financing plans, mergers and acquisitions plans and other material matters critical to the development of the Bank and make suggestions to the Board of Directors.

During the reporting period, the Strategic Planning Committee convened four meetings and considered five proposals, including the financial final accounts of 2014 and the profit distribution plan of 2014, and provided constructive opinions and recommendations on the financial final accounts, profit distribution plan and distribution of dividend for preference shares.

County Area Banking Business Development Committee

At the end of the reporting period, the County Area Banking Business Development Committee of the Board of Directors comprised seven Directors, including Mr. LOU Wenlong (Executive Director), Mr. CHEN Jianbo, Mr. ZHOU Ke, Mr. ZHANG Dinglong and Mr. HU Xiaohui (all are Non-executive Directors), Mr. WEN Tiejun and Ms. Xiao Xing (both are Independent Non-executive Directors). The primary duties of the County Area Banking Business Development Committee are to review the strategic development plan, policies, basic management rules and the risk strategic plan of the County Area Banking Business and other major matters critical to the development of the County Area Banking Business. It is also responsible for monitoring the implementation of our County Area Banking Business strategic plan, policies and basic management rules, evaluating the services provided in connection with County Area Banking Business, and making suggestions to the Board of Directors.

During the reporting period, the County Area Banking Business Development Committee convened three meetings and reviewed six reports in relation to the operation of County Area Banking Business and support of urbanization construction. It has conducted thorough in-depth discussions and studies on the development of the County Area Banking Business, Huinongtong and large professional farmer-households and provided constructive opinions and recommendations.

Nomination and Remuneration Committee

At the end of the reporting period, the Nomination and Remuneration Committee of the Board of Directors comprised six Directors, including Mr. ZHOU Ke and Mr. XU Jiandong (both are Non-executive Directors), Mr. Frederick MA Si-hang, Mr. WEN Tiejun, Ms. XIAO Xing and Mr. LU Jianping (all are Independent Non-executive Directors). Mr. WEN Tiejun is the chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee are to formulate standards and procedures for election of directors, chairmen and members of board committees and senior management members and submit the proposed candidates and their qualifications to the Board of Directors for approval, and to formulate the remuneration packages for directors, supervisors and senior management members, and submit the same to the Board of Directors for consideration.

The Articles of Association set out the procedures and methods of nomination of Directors and have specific requirements for the appointment of Independent Non-executive Directors. Please refer to articles 135 and 145 of the Articles of Association for details. The Articles of Association are published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank. During the reporting period, the Bank appointed our Directors in strict compliance with the Articles of Association.

When nominating candidates of Directors, the Nomination and Remuneration Committee mainly takes into account their qualifications, their compliance with laws, administrative regulations, rules and the Articles of Association, their capability of diligent performance, their understanding of our operation and management and willingness to accept supervision of their performance by the Board of Supervisors of the Bank and the requirement of the diversity of the Board of Directors. The quorum of the meeting of the Nomination and Remuneration Committee shall be more than half of all its members, and any resolution at such meeting shall be passed by more than half of votes of all its members.

During the reporting period, the Nomination and Remuneration Committee convened six meetings and considered 11 proposals including the nominations of Directors and the appointment of the Vice President of the Bank.

Audit and Compliance Committee

At the end of the reporting period, the Audit and Compliance Committee of the Board of Directors comprised six Directors, namely Mr. ZHANG Dinglong and Mr. HU Xiaohui (both are Non-executive Directors), Mr. Frederick MA Si-hang, MR. WEN Tiejun, Mr. Francis YEUN Tin-fan and Ms. XIAO Xing (all are Independent Non-executive Directors). Mr. Frederick MA Si-hang is the chairman of the Audit and Compliance Committee. The primary duties of the Audit and Compliance Committee are to supervise, inspect and review our internal audit, financial information and internal control, and to provide constructive advice and suggestions to the Board of Directors.

The performance of the Audit and Compliance Committee was disclosed in the Annual Performance Report of Audit and Compliance Committee, which was published on the website of the Shanghai Stock Exchange.

Risk Management Committee

At the end of the reporting period, the Risk Management Committee of the Board of Directors comprised eight Directors, including Mr. CAI Huaxiang (Executive Director), Mr. CHEN Jianbo, Mr. ZHAO Chao, Mr. ZHOU Ke and Mr XU Jiandong (all are Non-executive Directors) and Mr. Frederick MA Si-hang, Mr. Francis YUEN Tin-fan and Mr. LU Jianping (all are Independent Non-executive Directors). Mr. Francis YUEN Tin-fan is the chairman of the Risk Management Committee. The primary duties of the Risk Management Committee are to review our risk strategy, risk management policies, risk management reports and proposals on deployment of risk-based capital, to supervise and assess the performance of relevant senior management members and risk management departments in respect of risk management, and to make suggestions to the Board of Directors.

During the reporting period, the Risk Management Committee convened four meetings and listened to seven reports including the overall risk status of the Bank and the operation of IRB system and its validation status. The Risk Management Committee investigated on the overall risk status of the Bank regularly and provided constructive advice and suggestions on the liquidity risk management policies and control and management of credit risk.

Related Party Transactions Management Committee

At the end of the reporting period, the Related Party Transactions Management Committee of the Board of Directors comprised four Directors, including Mr. ZHAO Chao (Non-executive Director) and Mr. Frederick MA Si-hang, Mr. Francis YUEN Tin-fan and Mr. LU Jianping (all are Independent Non-executive Directors). Mr. Francis YUEN Tin-fan is the chairman of the Related Party Transactions Management Committee. The primary duties of the Related Party Transactions Management Committee are to identify related parties of the Bank, review our general management system for related party transactions, review and record the related party transactions, and make suggestions to the Board of Directors.

During the reporting period, the Related Party Transactions Management Committee convened one meeting and considered the proposal of list of related parties of the Bank and listened to the report in relation to our management of related party transactions. The Related Party Transactions Management Committee reviewed and approved the information of related parties of the Bank and provided constructive advice and suggestions on the management of our related parties and our related party transactions.

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

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

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

According to our review, the guarantee business of the Bank is mainly to issue letters of guarantee, which has been approved by the PBOC and the CBRC as one of the ordinary businesses of the Bank. As of 31 December 2015, the balance of the guarantee business of the Bank (including letters of guarantee issued and guarantees by the Bank) amounted to RMB233,376 million.

The Bank has attached great importance to the risk management of the guarantee business and formulated strict requirements in respect of the credit position of guaranteed parties, the operational procedure and approval process of the guarantee business. We believe that the Bank has effectively controlled the risks on the guarantee business.

Independent Non-executive Directors of Agricultural Bank of China Limited
Frederick MA Si-hang, WEN Tiejun, Francis YUEN Tin-fan,
XIAO Xing and LU Jianping

Responsibilities of Directors on Financial Statements

The Directors are responsible for supervising the preparation of financial statements of each accounting period so that it can give a true and fair view of the financial position, operating results and cash flows of the Group. In preparation for the financial statements for the year ended 31 December 2015, the Directors have adopted and applied appropriate accounting policies consistently, and made judgment and estimation prudently and reasonably.

During the reporting period, the Bank complied with relevant laws and regulations and the requirements of the listing rules of places where the Bank's shares are listed, and published the annual report of 2014, and the first quarterly report, the interim report and the third quarterly report of 2015.

Training of Directors and Company Secretary

Training of Directors

In 2015, our Directors actively participated in special trainings on connected transactions, analysis of financial statements and corporate governance and training sessions for new directors organized by the Beijing Branch of the CSRC as required by the Hong Kong Listing Rules and the domestic regulatory requirements. Our Independent Non-executive Directors participated in the follow-up trainings for independent directors organized by the Shanghai Stock Exchange. Our Directors improved their professional expertise through publishing professional articles, attending forums and seminars, teaching and site visit to overseas and domestic banks and our branches.

Training of Company Secretary

In 2015, Ms. ZHANG Keqiu, the secretary to the Board of Directors and the company secretary of the Bank, attended the qualification training for the secretary to the Board of Directors held by the Shanghai Stock Exchange. The duration of the training was in compliance with the relevant requirements.

Senior Management

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

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

- taking charge of the Bank's operations and management, and organizing the implementation of the resolutions of the Board of Directors;
- conducting or authorizing other senior management members and principal officers of internal functional departments and branch offices to conduct the daily operations and management of the Bank within the scope authorized by the Board of Directors;
- drafting the fundamental management rules and policies and formulating specific rules of the Bank (excluding internal auditing rules);
- drafting the Bank's business and investment plans and implementing such plans upon approval by the Board of Directors;
- drafting plans of annual budget and final accounts, risk-based capital allotment, profit distribution and loss appropriation, increase or decrease of registered capital, issuance and listing of bond or other securities and repurchase of shares, and making suggestions to the Board of Directors;

- deciding on the set-up of the internal functional departments of the Bank, and the establishment of tier-1 branches, branches and other institutions directly under the Head Office and overseas institutions of the Bank, and making suggestions to the Board of Directors;
- proposing to the Board of Directors the appointment or dismissal of the executive vice presidents and other senior management members (except secretary to the Board of Directors);
- appointing or dismissing the principal officers of internal functional departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branches;
- determining the compensation and performance appraisal of the principal officers of internal departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branch offices, and conducting compensation review and performance evaluation;
- determining the salary, welfare, incentive and penalty of staff of the Bank, and deciding or authorizing the subordinate management members to appoint or dismiss staff of the Bank;
- upon the occurrence of material events in connection with business operations such as a run on the Bank, taking emergency measures, and reporting immediately to the government regulatory authorities of banking industry under the State Council, the Board of Directors and the Board of Supervisors;
- exercising other powers conferred by the relevant laws, administrative regulations, departmental rules, and the Articles of Association of the Bank and the authorities resolved to be exercised by the President pursuant to the Shareholders' General Meeting and the Board of Directors.

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

Shareholders' General Meeting

During the reporting period, we held two extraordinary general meetings and one annual general meeting at which 20 resolutions were considered and approved and 3 reports were debriefed at those meetings. These general meetings of the Bank were convened and held in accordance with the laws and regulations and listing rules of Hong Kong and the PRC. Directors, Supervisors and the senior management members attended the meetings and discussed with shareholders about matters the shareholders were concerned about. The Bank published the announcements on the poll results and legal advices of the above General Meetings in a timely manner in accordance with regulatory requirements. The announcements on the poll results of General Meetings were published on the website of the Hong Kong Stock Exchange on 15 January 2015, 29 June 2015 and 10 December 2015, and on the website of the Shanghai Stock Exchange and in newspaper designated by the Bank for information disclosure on 16 January, 30 June 2015 and 11 December 2015.

The Chairman and the President of the Bank

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

The Chairman of the Bank is responsible for material matters such as business strategies and overall development of the Bank.

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

The roles of the Chairman and the President are separate and independent, with clear division of responsibilities.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirm that they have complied with such code of conduct throughout the year ended 31 December 2015.

Terms of Directors

The Bank strictly complies with the requirements of the Hong Kong Listing Rules and its Articles of Association that the directors shall be elected by the Shareholders' General Meetings with a term of three years commencing from the date of ratification by the CBRC. A director may serve consecutive terms if re-elected upon the expiration of the term of office, and the consecutive term shall commence from the date of approval by the Shareholders' General Meetings. The maximum term of office of the independent non-executive directors shall be six years.

Appraisal and Incentive Mechanisms for Senior Management

For the details of appraisal and incentive systems for senior management during the reporting period, please refer to "Report of the Board of Directors — Remuneration of Directors, Supervisors and Senior Management".

Auditors' Engagement and Remuneration

Pursuant to the proposal approved by the 2014 Annual General Meeting of the Bank, the Bank engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the domestic and international auditors of the Bank for 2015, respectively. Such auditors have provided audit services for the Bank for three consecutive years in 2013, 2014 and 2015.

In 2015, a total fee of RMB139.33 million was paid to PricewaterhouseCoopers and its member firms by the Group for services provided to the Group, of which financial statements audit service fee was RMB118.28 million, internal control audit service fee was RMB12.23 million and non-audit service fee was RMB8.82 million.

Shareholders' Rights

Convening of Extraordinary General Meetings

The Bank protects shareholders' rights strictly in compliance with the regulatory requirements and basic corporate governance system. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank (the “**Requesting Shareholders**”) may propose to the Board of Directors to convene an extraordinary general meeting in writing. If the Board of Directors refuses to convene an extraordinary general meeting or fails to give its responses within 10 days upon receipt of the proposal, the Requesting Shareholders may propose to the Board of Supervisors to convene an extraordinary general meeting in writing. If the Board of Supervisors fails to give the notice of such extraordinary general meeting within the prescribed period, it shall be deemed to have failed to convene and preside over such meeting, and shareholders who individually or jointly hold 10% or more of the Bank's shares for not less than 90 days shall be entitled to convene and preside over an extraordinary general meeting.

Enquiries to the Board of Directors

Shareholders of the Bank may put enquiries to the Board of Directors and have the right to obtain the relevant information pursuant to the Articles of Association. Shareholders may inspect copies of the minutes of the Shareholders' General Meetings free of charge during the business hours of the Bank. If any shareholder requests to obtain from the Bank a copy of the relevant minutes, the Bank shall send such copy within seven days after receiving reasonable fees. Shareholders who request to inspect or obtain the relevant information shall provide the Bank with written documents evidencing the class and number of shares held by them, and the Bank shall provide upon verification of such shareholder. The Office of the Board of Directors is responsible for day to day affairs of the Board of Directors. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders' General Meetings

Shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the “**Proposing Shareholders**”) may submit proposals to the Shareholders' General Meetings. Proposing Shareholders shall submit proposals in writing 10 days prior to the date of Shareholders' General Meetings. The Office of the Board of Directors is responsible for organizing Shareholders' General Meetings, preparing documents and taking minutes of the meetings.

Special regulations of holders of preference shares

The holders of preference shares are entitled to vote in the event of the following: (1) any amendments to the provisions regarding preference shares in the Articles of Association; (2) any decrease or series of decreases representing in aggregate more than 10% of the registered capital of the Bank; (3) any merger, division, dissolution or change in corporate form of the Bank; (4) any issuance of preference shares by the Bank; (5) any other circumstances specified by laws, regulations, and the Articles of Association.

In the event of any of the foregoing circumstances, holders of preference shares shall have the right to attend Shareholders' General Meetings and the Bank shall provide online voting. The notice of such meetings shall be delivered to holders of preference shares prior to convention of the meeting and under notice procedure for ordinary shareholders set forth in the Articles of Association.

When the Bank fails to pay dividends on preference shares for a total of three financial years or for two consecutive financial years, holders of preference shares shall have the right to attend the Shareholders' General Meetings and jointly vote with ordinary shareholders, starting from the day following the date on which the Shareholders' General Meetings resolves to not distribute dividends on preference shares as agreed in the profit distribution plan of that year. The voting rights shall be restored until the date on which all dividends for such preference shares of that year are distributed.

Significant Changes to the Articles of Association during the reporting period

There was no significant change to the Articles of Association during the reporting period.

Information Disclosure and Investor Relations

Information Disclosure

The Bank actively followed up and implemented regulatory requirements related to the information disclosure and refined our information disclosure system. The Bank also further optimized the information disclosure procedures based on our practice. The Bank accomplished the preparation and disclosure of the periodic reports and temporary reports in compliance with laws and regulations and continuously improved information disclosure transparency. With focus on the concerns of the market and investors, the Bank enhanced its voluntary information disclosure. In 2015, the Bank published over 290 documents for information disclosure on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The Bank continued to strengthen the management of inside information and enhance the compliance awareness of insiders. We also arranged annual internal examination on insider transactions and carried out insider registration and filling process.

During the reporting period, no rectification was required for any material accounting errors, no material omission was found and no amendment was required for any estimated results announcement.

Investor Relationship

In 2015, the Bank voluntarily enhanced communication with the capital market. The Bank held over one hundred of investors' meetings, such as results press conferences, meeting several hundreds of investors. Through sufficient and effective communication with the capital market, the Bank was able to demonstrate the development and operating results of the Bank to investors and enhance their recognition and confidence on the investment value of the Bank. Meanwhile, investor relationship acted as an essential channel, which improved the operation and management capability of the Bank by delivering advices and feedbacks from investors to the management promptly. Furthermore, the Bank further improved the management procedures of investor relationship and refined its delicacy management, with an aim to boost the efficiency and quality of communication. In 2015, the Bank upgraded and improved the investor hotline and other communication channels, so as to make timely response to the messages and phone inquiries from shareholders and answer the inquiries from investors on SSE E-platform, protecting the legitimate rights and interests of the minority shareholders. Through release of operation results and roadshows, participating in summits of capital market, receiving investors' visits and interacting with investors through hotline, the Bank has established comprehensive communication channels connecting our substantial and minority shareholders.

If investors have any enquiries of relevant questions, or any aforesaid proposals, enquiries or resolutions, please contact:

The Board Office of Agricultural Bank of China Limited

Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, China

Telephone: 86-10-85109619

Facsimile: 86-10-85108557

E-mail: ir@abchina.com

Internal Control

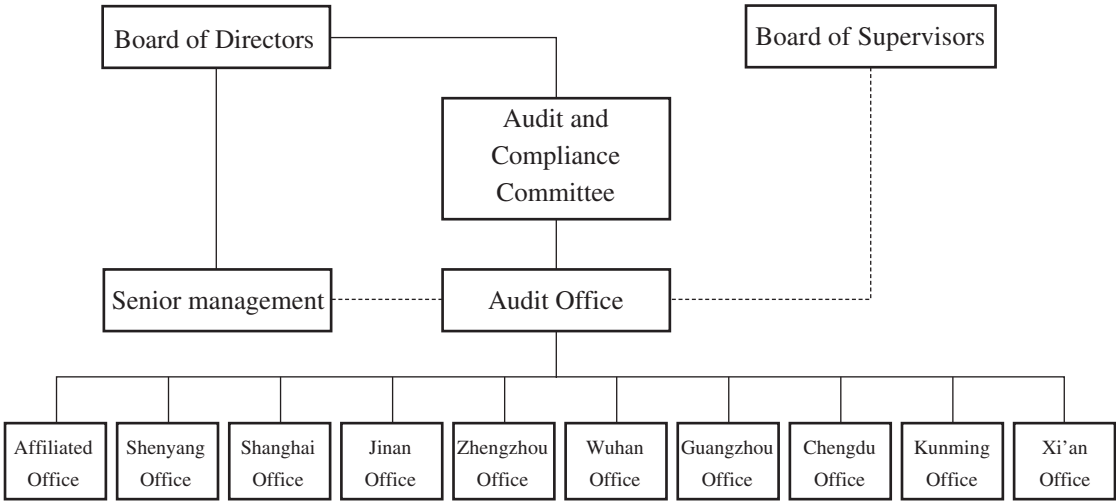
The Board of Directors of the Bank has considered and approved the *2015 Internal Control Assessment Report of the Agricultural Bank of China Limited*. Please visit the website of the Shanghai Stock Exchange for details.

PricewaterhouseCoopers Zhong Tian LLP issued an unqualified internal control audit report, based on its audit of the effectiveness of the Group's internal control over financial reporting. Please visit the website of the Shanghai Stock Exchange for details.

Internal Audit

We have established an audit department which is accountable to the Board of Directors and its Audit and Compliance Committee, and under the supervision of the Board of Supervisors and the senior management. The audit department performs audits and assessment on operations and management, business activities and operation performance of the Bank based on the risk-oriented principles. The audit department consists of the Audit Office at the Head Office and ten regional offices. The Audit Office is responsible for the organization, management and reporting of internal audit works of the Bank. The regional offices under the Audit Office perform internal audit for their respective branches and shall be accountable to and report to the Audit Office.

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



During the reporting period, focused on the external regulatory requirements and the strategic decisions of the Board of Directors, the Bank further promoted the establishment and application of information technology in internal auditing. The Bank also intensified training on auditing skills, so as to improve the professional competence of its audit team. The Bank strengthened management basics in audit and enhanced its role, so as to effectively implemented the strategies, strengthened the basics of management and promoted a sound growth of all operations. In addition, the Bank implemented risk-orientated audit approach and comprehensive risk audit was carried out on certain branches with focus on credit, finance and accounting and staff behavior management and so on. The Bank conducted audit and investigation on various aspects, including infrastructure projects, anti-money laundering, maintenance of IT operation, New Basel Capital Accord, internal controls reappraisal, asset management business, protection of interests of consumers, performance appraisal and remuneration management. The Bank steadily improved the audit on overseas institutions and standardized the audit on the due diligence of the senior management. The Bank also carried out follow-up audit on the key audit projects of last year.

Report of the Board of Directors

Principal Business and Business Review

The principal business of the Bank is to provide banking and related financial services. The Bank's business operation and business review as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in relevant sections including "President's Statement" "Discussion and Analysis" "Corporate Governance" "Significant Events" "Notes to the Consolidated Financial Statements" and this "Report of the Board of Directors".

Profits and Dividends Distribution

The Bank's profits for the year ended 31 December 2015 are set out in the section headed "Discussion and Analysis — Financial Statements Analysis".

Upon the approval of the 2014 Annual General Meeting held on 29 June 2015, the Bank distributed cash dividend of RMB1.82 (tax included) per ten shares, amounting to RMB59,113 million (tax included) to shareholders of A shares and H shares on our registers of members at the close of business on 9 July 2015.

The Board of Directors of the Bank proposed the distribution of cash dividend of RMB1.668 (tax included) per ten shares for 2015 for a total of RMB54,176 million (tax included) to ordinary shareholders. The dividend distribution plan is subject to the approval of shareholders at the 2015 Annual General Meeting. Upon the approval of the 2015 Annual General Meeting, the dividend will be paid to holders of A shares and H shares whose names appeared on the registers of members of the Bank at the close of business on the record date. A separate announcement will be published to disclose the dividend payment date.

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

	<i>In millions of RMB, except percentages</i>		
	2014	2013	2012
Cash dividend (tax included)	59,113	57,489	50,830
Cash dividend payment ratio¹ (%)	32.9	34.6	35.0

Note: 1. Cash dividend (tax included) is divided by the net profits of the reporting period attributable to shareholders of the Bank.

Pursuant to the *Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)*, the resident individuals outside the PRC who are the shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong enjoy preferential tax rate in accordance with the tax conventions between Mainland China and the country where the residents reside, and the tax arrangements between the Mainland China and Hong Kong (Macau). Resident individuals outside the PRC shall personally or through an agent authorised in writing to apply for and fulfil the relevant formalities to enjoy relevant preferential tax treatment. Since the tax rate for such dividend is generally 10% as required by relevant tax regulation and arrangements, and there is a large number of shareholders, to simplify the collection of tax, the individual shareholders will be generally subject to a withholding tax rate of 10% without making any application when domestic non-foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders. For situations where the tax rate for dividend is not 10%, it shall be subject to the following requirements: (1) if an individual who received a dividend is a resident of a country where the tax rate for the dividend is lower than 10%, the withholding agent can apply for relevant preferential treatment according to the *Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124)*, and upon the approval of the competent tax authority, overpaid taxes will be returned; (2) if an individual who received a dividend is a resident of a country where the tax rate for dividend is between 10% and 20%, the withholding agent shall withhold the individual's income tax at the agreed tax rate when distributing dividends, and no application should be submitted; or (3) if an individual who received a dividend is a resident of a country which has not entered into any tax treaty with the PRC or otherwise, the withholding agent shall be subject to a withholding tax rate of 20% which shall be applied when distributing the dividend.

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

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

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

Implementation of the Cash Dividend Policy

The formulation and implementation of the Bank's cash dividend policy complies with its Articles of Association and the resolutions of the Shareholders' General Meetings. The relevant decision making procedure and system are complete while the distribution standards and proportion are clearly stated. Independent Non-executive Directors have served their obligations and expressed their opinions. As minority shareholders have opportunities to fully express their opinions and appeals, their legitimate interests have been fully protected.

Reserves

The details of the changes of reserves for the year ended 31 December 2015 are set out in "Consolidated Statement of Changes in Equity" in the financial statements.

Financial Summary

The summary of operating results, assets and liabilities for the five years ended 31 December 2015 is set out in the section headed "Basic Corporation Information and Major Financial Indicators".

Donations

During the year ended 31 December 2015, the Bank made external donations (domestically) of RMB48,672.4 thousand.

Fixed Assets

The changes in fixed assets for the year ended 31 December 2015 are set out in "Note IV. 25 Property and Equipment" to the financial statements.

Subsidiaries

Particulars of the Bank's principal subsidiaries as of 31 December 2015 are set out in the section headed "Discussion and Analysis — Business Review".

Share Capital and Public Float

As of 31 December 2015, the Bank's total share capital of ordinary shares amounted to 324,794,117,000 shares, including 294,055,293,904 A shares and 30,738,823,096 H shares. As of the date of this results announcement, the Bank maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank's listing.

Purchase, Sale or Redemption of the Bank's Shares

For the year ended 31 December 2015, the Bank and its subsidiaries did not purchase, sell or redeem any of its listed shares.

Pre-emptive Rights

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association. According to the Articles of Association, the Bank is entitled to increase its registered capital by issuing shares through public or non-public offering, allotting new shares to the existing shareholders (except holders of the Bank's preference shares), transferring the capital reserve funds to increase share capital and other methods as permitted by laws, administrative regulations and relevant authorities.

Major Customers

For the year ended 31 December 2015, the five largest customers accounted for less than 30% of the interest income and other operating income of the Bank.

Use of Proceeds

All proceeds were used to strengthen the Bank's capital base to support the ongoing growth of its business as disclosed in the prospectuses.

Major Projects Invested by Non-raised Capital

For the year ended 31 December 2015, the Bank had no significant projects invested by non-raised capital.

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts of Significance

For the year ended 31 December 2015, none of the Bank's Directors or Supervisors or parties related to such Directors and Supervisors had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance regarding its business to which the Bank or any of its subsidiaries was a party. None of its Directors or Supervisors has entered into any service contract with the Bank or any of its subsidiaries, pursuant to which the Bank needs to pay compensation (other than statutory compensation) for terminating the contract within one year.

Directors' Interests in Competing Businesses

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2015, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any of such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

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

As at the end of 2015, Mr. ZHENG Xin, a Supervisor of the Bank, held 375,000 A shares of the Bank. Except for the above, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to “Changes in Share Capital and Shareholdings of Substantial Shareholders”.

Related Party Transactions

We further strengthened our management basics and continuously improved our risk management ability on related party transactions in 2015. Pursuant to the changes in regulatory rules, we revised the related party transactions management policies. We optimized the IT system to improve our management level for related party transactions. During the reporting period, the related party transactions were conducted on general commercial terms and in accordance with the laws and regulations. We did not offer more favourable price to related parties than the price available to non-related parties for transactions of the same category and no impairment of the interest of the Bank and the minority shareholders was noticed or found.

We had entered into various connected transactions with connected persons of the Bank (as defined in the Hong Kong Listing Rules) in 2015. Pursuant to the applicable provisions under the Hong Kong Listing Rules, those transactions were exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements.

We extended loans to related natural person (as defined in the *Administrative Measures on Information Disclosure of Listed Companies* issued by the CSRC) in 2015. Such loans were in compliance with our pricing requirements and guarantees were provided for such loans. As of 31 December 2015, the total balance of loans amounted to RMB6,273 thousand, and the conditions for such loans were normal.

For the related party transactions defined under accounting standards, please refer to “Note IV. 45. Related Party Transactions” to the financial statements.

Remuneration of Directors, Supervisors and Senior Management

Remuneration of senior management shall be reviewed and approved by the Board of Directors of the Bank while that of Directors and Supervisors shall be considered and approved by the Shareholders' General Meetings. For the details of the specific remuneration standards, please refer to "Directors, Supervisors and Senior Management — Annual Remuneration". After the annual assessment, performance-based annual remunerations and term incentive bonus of Directors, Supervisor and senior management members shall be determined according to the assessment results and the term incentive bonus shall be settled in three years as deferred payment. The Bank did not formulate any share incentive plan for Directors, Supervisors and senior management members.

Permitted Indemnity Provisions

According to the Articles of Association, the Bank will undertake the civil liability arising from the discharge of the duties of our Directors, Supervisors and senior management members subject to or without prejudice against the laws and administrative regulations, unless our Directors, Supervisors and senior management members were proven to have failed to perform their duties honestly or in good faith. The Bank has maintained liability insurance for the potential liabilities that may arise from the discharge of the duties of our Directors, Supervisors and senior management members.

Financial, Business and Family Relationship among Directors

Directors of the Bank had no relationship with each other, including financial, business, family or other material relationships.

Employee Benefit Plans

For details of employee benefit plans of the Bank, please refer to "Note IV. 36. Other Liabilities" to the financial statements.

Management Contracts

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

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2015, prepared in accordance with CASs and IFRSs, were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the Auditing Standards of China and International Standards on Auditing, respectively. With respect to each, an unqualified audit opinion was issued.

Consumer Interests Protection

The Bank is committed to protecting the legal interests of our consumers and constructing a fair, equitable and integral finance consumption environment. Consumer protection were formulated to improve our consumer protection system and mechanism. We complied with laws, regulations and requirements from regulatory authorities, including the *Banking Consumer Protection Guidelines*. We integrated the philosophy of consumer protection into our products and service procedures to ensure that consumers would receive fair, equitable and integral treatment. A trial mechanism of complaint classification was also introduced for financial consumers. We also promoted inclusive finance by providing efficient and quality services for customers in County Areas and special groups. The Bank also organized financial knowledge promotion events to promote financial knowledge and to facilitate the positive interaction between the public and financial institutions.

Corporate Social Responsibility

During the reporting period, in pursuit of the missions and responsibilities as a large state-owned commercial bank and a Global Systematically Important Bank, the Bank adhered to the philosophy of “giving priority to responsibility, benefiting the general public, taking the lead in fulfilling responsibilities, promoting the wellbeing of the society”. The Bank was also committed to its responsibilities and missions of serving “Sannong” and poverty alleviation. Efforts were made to support national strategies, such as the “One Belt and One Road”, the “Coordinated Development of the Beijing-Tianjin-Hebei Region”, the development of the “Yangtze River economic belt” and the popular entrepreneurship and innovation. These efforts included increasing credit support for major areas of development, such as the real economy, people’s livelihood, environmental protection and communities. Striving to establish its leading positions in Sannong finance and green finance, the Bank successfully issued the first USD1 billion green bonds, which was awarded “2015 Best Green Bond” by FinanceAsia. These actions were made in response to the promise of China to support green industry and to take concerted efforts in the face of climate change. At the same time, the Bank turned its philosophy of social responsibilities into action by launching various public welfare projects. For example, we participated in the “Jin-Hui Project” to promote financial knowledge in rural middle schools, the “Dream Comes True 832” to care for the impoverished high school students, “Reward Donation Campaign”, “Health Express for Mothers”, disaster relief donations, “ABC Forests” for tree planting.

Please refer to the 2015 Corporate Social Responsibility Report of the Bank published on the website of the Shanghai Stock Exchange for further details.

By Order of the Board of Directors

Vice Chairman

ZHAO Huan

31 March 2016

Report of the Board of Supervisors

Composition of the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors comprised seven Supervisors, including two Supervisors representing shareholders, namely Mr. YUAN Changqing and Mr. WANG Xingchun, three Supervisors representing employees, namely Mr. ZHENG Xin, Mr. XIA Zongyu and Mr. XIA Taili, and two external Supervisors, namely Mr. LI Wang and Ms. LV Shuqin. The Chairman of the Board of Supervisors is Mr. YUAN Changqing. Details of the incumbent Supervisors are set out in the section headed “Directors, Supervisors and Senior Management”.

Functions and Authorities and Operation of the Board of Supervisors

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

- supervising the performance of the Board of Directors and senior management, supervising and enquiring the due diligence of Directors and senior management members, and urging Directors and senior management members to rectify their behaviors detrimental to the interest of the Bank;
- proposing to dismiss or initiate litigation against Directors and senior management members who violate laws, administrative regulations and the Articles of Association or the resolutions of the Shareholders’ General Meetings;
- carrying out off-office audit of Directors and senior management members when necessary;
- supervising the financial activities, business decisions, risk management and internal control of the Bank, and providing guidance to the work of internal auditing department;
- checking financial information including the financial reports, business reports and profit distribution plans prepared by the Board of Directors for submission to the Shareholders’ General Meetings, and appointing certified accountants and auditors on behalf of the Bank to review such information if any problem is detected;
- supervising the implementation of strategic plans, policies and general management system for the development of the County Area Banking Business;
- submitting proposals to the Shareholders’ General Meetings;
- nominating the Supervisors representing shareholders, external Supervisors and independent Directors;
- formulating the amendments to the *Rules of Procedures of the Board of Supervisors*;
- other functions as conferred by laws, administrative regulations, departmental rules and the Articles of Association or as authorized by the Shareholders’ General Meetings.

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

The Office of Board of Supervisors is the division for carrying out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees thereof and preparing documents and minutes for those meetings, as well as conducting daily supervision according to the requirements of the Board of Supervisors.

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

Due Diligence Supervision Committee

At the end of the reporting period, the Due Diligence Supervision Committee comprised four Supervisors, namely Mr. YUAN Changqing, Mr. WANG Xingchun, Mr. XIA Taili and Mr. LI Wang. The Chairman of the Due Diligence Supervision Committee was Mr. YUAN Changqing.

The Due Diligence Supervision Committee shall operate under the authorization of the Board of Supervisors and report to the Board of Supervisors.

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

- developing working plans and implementation plans regarding the supervision on the due diligence of the Board of Directors, the senior management, Directors and senior management members, and implementing the plans upon approval of the Board of Supervisors;
- commenting on supervising the due diligence of the Board of Directors, the senior management, Directors and senior management members, and making suggestions to the Board of Supervisors;
- developing plans for off-office audit of Directors and senior management members when necessary, and organizing the implementation of the plans upon approval of the Board of Supervisors;
- making recommendations to the Board of Supervisors on the candidates for Supervisor representing shareholders, external Supervisors, independent Directors and members of the special committees under the Board of Supervisors;
- drafting evaluation methods for Supervisors, organizing performance assessment of Supervisors and making suggestions to the Board of Supervisors;
- studying and handling issues or documents reported or provided by the Board of Directors, the senior management, Directors and senior management members;
- other matters authorized by the Board of Supervisors.

Finance and Internal Control Supervision Committee

At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised four supervisors, namely, Mr. YUAN Changqing, Mr. ZHENG Xin, Mr. XIA Zongyu and Ms. LV Shuqin. The Chairman of the Finance and Internal Control Supervision Committee was Mr. YUAN Changqing.

The Finance and Internal Control Supervision Committee shall operate under the authorization of the Board of Supervisors and report to the Board of Supervisors.

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

- developing working plans and implementation plans of the Board of Supervisors regarding the supervision on the finance and internal control, and organizing the implementation of the plans upon approval of the Board of Supervisors;
- supervising the implementation of development, policies and general management systems for the County Area Banking Business strategic plans, assessing the implementation results, and making suggestions to the Board of Supervisors;
- checking the financial reports and business reports of the Bank and the profit distribution plan formulated by the Board of Directors, and making suggestions to the Board of Supervisors;
- drafting plans for supervising and inspecting financial activities, operating decisions, risk management and internal control of the Bank by the Board of Supervisors, organizing the implementation of the plans upon approval of the Board of Supervisors, and proposing to the Board of Supervisors on engaging external auditors for auditing the Bank's financial position if necessary;
- guiding the work of internal auditing department of the Bank;
- studying and handling issues or documents reported or provided by the Board of Directors, the senior management, Directors and senior management members;
- other matters authorized by the Board of Supervisors.

Meetings of the Board of Supervisors and its Special Committees

During the reporting period, the Board of Supervisors held nine meetings and considered and approved 27 proposals including the annual report for 2014 and its abstract, and listened to 15 specific work reports.

The Finance and Internal Control Supervision Committee held five meetings to consider and approve 11 proposals, including assessment report of the County Area Banking Business for 2014 prepared by the Board of Supervisors.

The Due Diligence Supervision Committee held six meetings to consider and approve 11 proposals, including the 2014 performance evaluation reports of the Board of Directors, the Board of Supervisors, the senior management and the members thereof.

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

Number of attendance in person¹/meeting requiring attendance

Supervisors	Meeting of the Board of Supervisors	Special Committees under the Board of Supervisors	
		Due Diligence Supervision Committee	Finance and Internal Control Supervision Committee
YUAN Changqing	3/3	1/1	2/2
WANG Xingchun	9/9	4/5	
ZHENG Xin	8/9		4/5
XIA Zongyu	7/9		4/5
XIA Taili	6/9	3/5	
LI Wang	3/3	1/1	
LV Shuqin	3/3		2/2
Former Supervisors			
CHE Yingxin	3/4	3/3	
JIA Xiangsen	8/9		5/5
DAI Genyou	4/6	3/4	

Notes: 1. Attendance in person includes on-site attendance and attendance by way of electronic communication, such as telephone and video conference.

2. For details of changes in Supervisors, please refer to “Changes in Directors, Supervisors and Senior Management”.

Work of Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank earnestly performed its duties of supervision stipulated by the laws and regulations and the Articles of Association. The Board of Supervisors strived to explore new methods to improve the effectiveness of its supervision so as to safeguard the interests of the shareholders and the Bank. The supervision and counter-balance functions in corporate governance were further exerted.

Supervision on performance to enhance the compliance of corporate governance structure

The Board of Supervisors explored specialized supervision and assessment on performance. The Board of Supervisors supervised and evaluated the performance of the Board of Directors and senior management in respect of the implementation of *2012–2015 Overseas Development Plan of Agricultural Bank of China*, and suggested the Board of Directors and senior management to further streamline the management of overseas institutions and to enhance the risk management of overseas business. Annual assessment on performance of the Board of Directors and senior management is conducted through extensive collection of information of performance, questionnaires survey, debriefing reports and performance interview. Based on above, the Board of Supervisors formed annual performance evaluation reports.

Strengthening financial supervision to enhance compliance and operational efficiency

The Board of Supervisors focused on the supervision of major financial decisions and the implementations by listening to regular financial reports, and operation plan with its execution. The Board of Supervisor conducted specialized studies and investigations on management of fixed assets investment and capital management, reviewed and provided independent views on periodical reports, 2015 operation plan, budget of fixed assets investment and profit distribution plan for 2014.

Inspection of risks and internal control for the sustainable and healthy development

The Board of Supervisors paid close attention to the specialized management of credit risk and case risk. It reviewed special reports from the risk department, internal audit department and internal control and compliance department, and paid attention to the rectification of identified problems found by internal and external examinations. The Board of Supervisors strengthened its guidance on the internal audit. The Chairman of the Board of Supervisors listened to the work reports and risk audit reports from the audit department, provided advice, carried out in-depth inspection of the audit system, attached great importance to the application of audit results and supported the safeguard function of internal audit for business development of the Bank. In view of the declining asset quality and severe situation in case prevention and control of the Bank, the Board of Supervisors had advised the Board of Directors and senior management to adopt effective measures to improve the effectiveness of risk management and internal control and to prevent the moral hazard in asset disposal. The Board of Supervisors paid special attention to the management of “Sanxin” non-performing loans and advised the senior management to earnestly deal with the matter and hold accountability seriously.

Work of External Supervisors

During the reporting period, Mr. LI Wang and MS. LV Shuqin, as external Supervisors of the Bank, performed their supervisory duties with due diligence strictly in accordance with the Articles of Association of the Bank to review relevant proposals and the work reports and carry out the supervising investigations. They attended all meetings of the Board of Supervisors and special committees thereof in person, and provided professional, strict and independent advice and opinions. The external Supervisors played active roles in enhancing the corporate governance and improving the operation management of the Bank.

Independent Opinions of the Board of Supervisors

Compliance

During the reporting period, our corporate governance had been in compliance with applicable laws, regulations and the Articles of Association of the Bank. Members of the Board of Directors, Board of Supervisors and the senior management earnestly performed their duties and complied with the rules of meeting. The meetings convened, resolutions passed, information disclosed and documents subscribed by them were all in compliance with the laws and regulations.

Results Announcement

The preparation and review procedures of this results announcement were in compliance with laws, administrative regulations and regulatory requirements. The results announcement gives a true, accurate and complete view of the financial position and operating results of the Bank.

Use of Proceeds

During the reporting period, the actual use of proceeds was consistent with the purposes stated in the Bank's prospectus.

Asset Acquisition and Disposal

During the reporting period, the Board of Supervisors did not find any insider trading or any act which might result in the impairment of the interests of the shareholders or loss of the Bank's assets in the process of asset acquisition or disposal by the Bank.

Related Party Transactions

During the reporting period, the Board of Supervisors did not find any act in the related party transactions that might result in the impairment of the interests of the Bank.

Internal Control

The Board of Supervisors had no objection to the *2015 Internal Control Assessment Report of the Agricultural Bank of China Limited*.

Performance Evaluation of Directors, Supervisors and Senior Management Members

The performance evaluation results of all the incumbent Directors, Supervisors and senior management members for 2015 was satisfaction.

By Order of the Board of Supervisors

YUAN Changqing

Chairman of the Board of Supervisors

31 March 2016

Significant Events

Material Legal Proceedings and Arbitration

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

As of 31 December 2015, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB8.092 billion. The management of the Bank believes that we have fully accrued allowance for the potential losses arising from the said legal proceedings. Such events will not have any material adverse effect on our financial position or operating results.

Major Asset Acquisition, Disposal and Merger

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

Implementation of Share Incentive Plan

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

Material Related Party Transactions

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

Details and Performance of Material Contracts

Material custody, contract and lease

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

Material guarantees

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

Occupation of Fund by Controlling Shareholders and Other Related Parties

None of our controlling shareholders or other related parties occupied any of our funds.

Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

In the recent three years, there was no penalty from securities regulatory authorities in relation to incumbent Directors, Supervisors and senior management, as well as former Directors, Supervisors and senior management during the reporting period.

During the reporting period, there was no investigation, administrative penalty, criticism or public denunciation from the CSRC in relation to the Bank or our Directors, Supervisors and senior management. None of the Bank or our Directors, Supervisors and senior management was subject to any penalty of other regulatory authorities which would have material effect on our operation.

Integrity of the Bank and Controlling Shareholders

There were no judicial decisions in effect to be performed by or any outstanding debt with large amount matured and to be paid by the Bank or its controlling shareholders.

Material Equity Investments and material non-equity investments in progress

During the reporting period, the Bank did not have any material equity and non-equity investment.

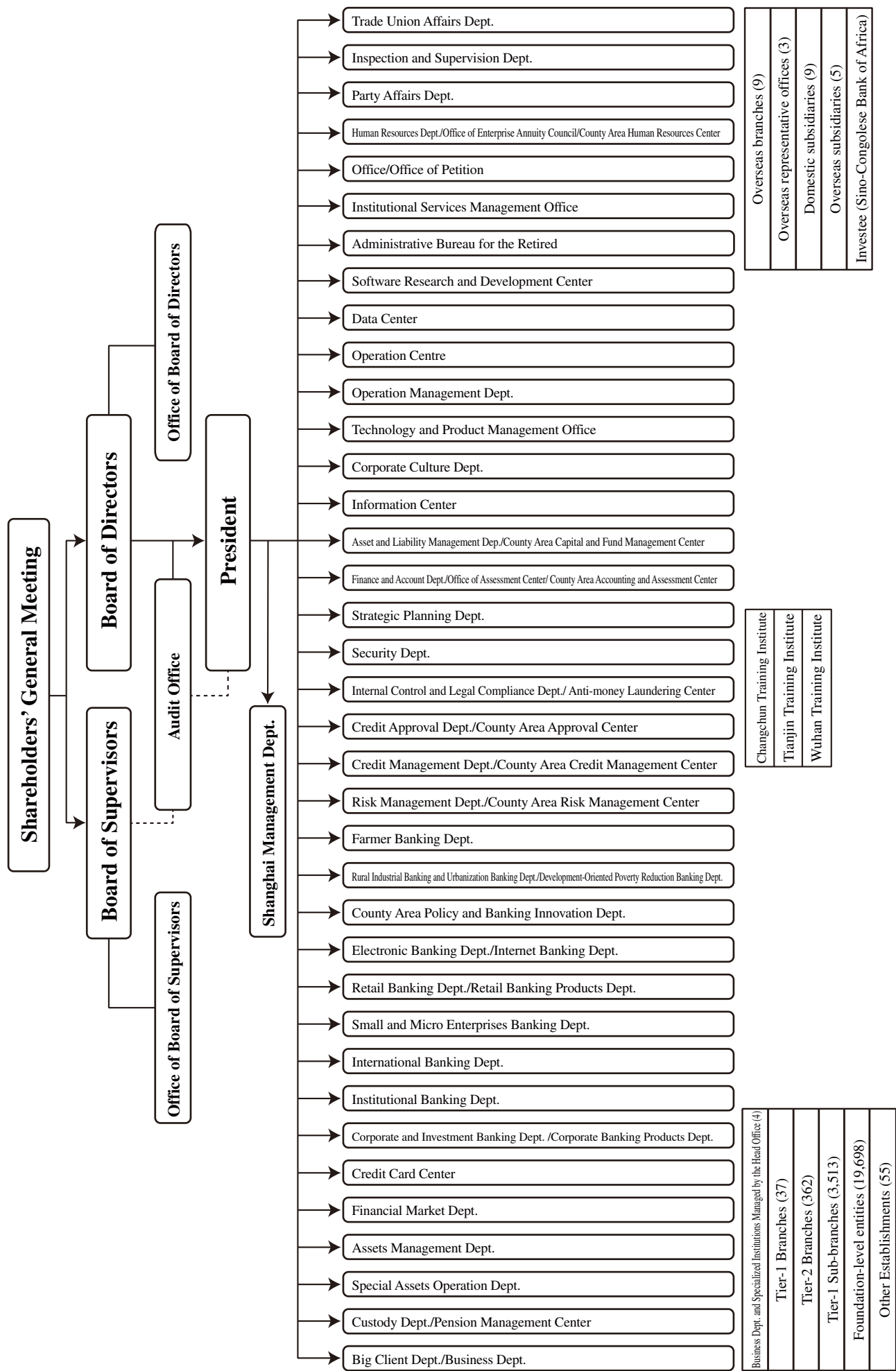
Commitments

Subject of Commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder or de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities in China or abroad. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, it will immediately cease to participate in, manage or engage in such competing commercial banking activities. (2) If Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities. (3) Notwithstanding the above provisions (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, may through its investments in other companies and in any form (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies) operate or participate in any competing commercial banking activities in China or abroad. (4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks, and will avoid such circumstances arising. It will exercise its shareholder's rights in our maximum or best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment as our shareholder to maximize our best interests, and such judgment shall not be affected by its investments in other commercial banks.	15 July 2010	Valid for long-term	Continuous commitment and performed regularly

Subject of Commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
SSF	Lock-up of shares	The purchased shares held by the SSF are subject to a lock-up period of five years commencing on the transaction completion date or three years commencing on the pricing date of our initial public offering, whichever is longer. Prior to the first anniversary following the expiration of the lock-up period, the SSF is allowed to transfer no more than 30% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto) and prior to the second anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 60% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto), provided that our initial public offering is completed within five years following the transaction completion date.	21 April 2010	21 April 2017	Not due and performed regularly
The Bank	Refinancing statement and commitment	The Board of Directors of the Bank announced the issuance plan for preference shares on 9 May 2014 and stated that apart from the issuance of preference shares, the Bank does not have other equity financing plans within the next 12 months. However, the Bank does not exclude the possibility of replenishing the Bank's capital in accordance with regulatory requirements and capital adequacy ratio through issuance of offshore preference shares.	8 May 2014	7 May 2015	Commitment fulfilled

On 8 July 2015, the Ministry of Finance and Huijin, as substantial shareholders of the Bank, undertook that they would not reduce their shareholding in the Bank in the course of the unusual fluctuations of the stock market. The Ministry of Finance and Huijin strictly performed such commitments.

Organizational Chart



List of Branches and Institutions

Domestic Institutions

- **BEIJING BRANCH**

ADD: 13 Chaoyangmenbei Dajie
Dongcheng District
Beijing 100010
PRC

TEL: 010-68358266

FAX: 010-61128239

- **TIANJIN BRANCH**

ADD: No. 3 6 Zijinshan Road
Hexi District
Tianjin 300074
PRC

TEL: 022-23338701

FAX: 022-23338733

- **HEBEI BRANCH**

ADD: 39 Ziqiang Road
Shijiazhuang
Hebei Province 050000
PRC

TEL: 0311-87016962

FAX: 0311-87019961

- **SHANXI BRANCH**

ADD: 33 Southern Inner Ring
Street West
Taiyuan
Shanxi Province 030024
PRC

TEL: 0351-6240801

FAX: 0351-4956999

- **INNER MONGOLIA BRANCH**

ADD: 83 Zhelimu Road
Hohhot
Inner Mongolia 010010
PRC

TEL: 0471-6903401

FAX: 0471-6904750

- **LIAONING BRANCH**

ADD: 27 Beijing Street
Shenhe District
Shenyang Liaoning
Province 110013
PRC

TEL: 024-22550004

FAX: 024-22550007

- **JILIN BRANCH**

ADD: 926 Renmindajie
Changchun
Jilin Province 130051
PRC

TEL: 0431-82093001

FAX: 0431-82093517

- **HEILONGJIANG BRANCH**

ADD: 131 Xidazhijie
Nangang District, Harbin
Heilongjiang Province
150006
PRC

TEL: 0451-86208845

FAX: 0451-86216843

- **SHANGHAI BRANCH**

ADD: 9 Yincheng Road
Pudong New District
Shanghai 200120
PRC

TEL: 021-53961888

FAX: 021-53961900

- **JIANGSU BRANCH**

ADD: 357 Hongwu Road
Nanjing 210002
PRC

TEL: 025-84571888

FAX: 025-84577017

• **ZHEJIANG BRANCH**

ADD: 55 Changqing Street
Hangzhou
Zhejiang Province 310003
PRC

TEL: 0571-87226000

FAX: 0571-87226177

• **ANHUI BRANCH**

ADD: 448 Changjiang Zhonglu
Hefei
Anhui Province 230061
PRC

TEL: 0551-62843573

FAX: 0551-62843573

• **FUJIAN BRANCH**

ADD: 177 Hualin Road
Fuzhou
Fujian Province 350003
PRC

TEL: 0591-87909908

FAX: 0591-87909620

• **JIANGXI BRANCH**

ADD: 339 Zhongshan Road
Nanchang
Jiangxi Province 330008
PRC

TEL: 0791-86693775

FAX: 0791-86693972

• **SHANDONG BRANCH**

ADD: 168 Jingqi Road
Ji'nan
Shandong Province 250001
PRC

TEL: 0531-85858888

FAX: 0531-82056558

• **HENAN BRANCH**

ADD: 16 Outer Ring Road
CBD Zhengdong
New District
Zhengzhou
Henan Province 450016
PRC

TEL: 0371-69196850

FAX: 0371-69196724

• **HUBEI BRANCH**

ADD: Block A
Jinjin Garden
66 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430071
PRC

TEL: 027-87326666

FAX: 027-87326693

• **HUNAN BRANCH**

ADD: 540 Furong Zhonglu
Section 1
Changsha
Hunan Province 410005
PRC

TEL: 0731-84300265

FAX: 0731-84300261

• **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road
Zhujiang New Town
Tianhe District,
Guangzhou
Guangdong Province 510623
PRC

TEL: 020-38008008

FAX: 020-38008210

• **GUANGXI BRANCH**

ADD: 56 Jinhua Road
Nanning
Guangxi Autonomous
Region 530028
PRC
TEL: 0771-2106036
FAX: 0771-2106035

• **HAINAN BRANCH**

ADD: 26 Binhai Avenue
Haikou
Hainan Province 570125
PRC
TEL: 0898-66777728
FAX: 0898-66791452

• **SICHUAN BRANCH**

ADD: 6 Tiyyuchang Road
Chengdu
Sichuan Province 610015
PRC
TEL: 028-86760366
FAX: 028-86760277

• **CHONGQING BRANCH**

ADD: 103 Xinhua Road
Yuzhong District
Chongqing 400011
PRC
TEL: 023-63551188
FAX: 023-63844275

• **GUIZHOU BRANCH**

ADD: 201 South Zhonghua Road
Guiyang
Guizhou Province 550002
PRC
TEL: 0851-5221069
FAX: 0851-5221069

• **YUNNAN BRANCH**

ADD: 36 Chuangjin Road
Kunming
Yunnan Province 650051
PRC
TEL: 0871-63203405
FAX: 0871-63203584

• **TIBET BRANCH**

ADD: 44 West Jinzhu Road
Lhasa
Tibet 850000
PRC
TEL: 0891-6959822
FAX: 0891-6959822

• **SHAANXI BRANCH**

ADD: 31 Tangyan Road
Gaoxin District
Xi'an
Shaanxi Province 710065
PRC
TEL: 029-88990821
FAX: 029-88990819

• **GANSU BRANCH**

ADD: 108 North Jinchang Road
Lanzhou
Gansu Province 730030
PRC
TEL: 0931-8895082
FAX: 0931-8895040

• **QINGHAI BRANCH**

ADD: 96 Huanghe Road
Xining
Qinghai Province 810001
PRC
TEL: 0971-6145105
FAX: 0971-6114575

• **NINGXIA BRANCH**

ADD: 95 West Jiefang Street
Xingqing District
Yinchuan
Ningxia Autonomous
Region 750001
PRC

TEL: 0951-6027614

FAX: 0951-6027430

• **XINJIANG BRANCH**

ADD: 66 South Jiefang Road
Urumqi 830002
PRC

TEL: 0991-2369407

FAX: 0991-2815229

• **XINJIANG PRODUCTION AND
CONSTRUCTION CORPS BRANCH**

ADD: 173 South Jiefang Road
Urumqi 830002
PRC

TEL: 0991-2217109

FAX: 0991-2217300

• **DALIAN BRANCH**

ADD: 10 Zhongshan Road
Zhongshan District
Dalian
Liaoning Province 116001
PRC

TEL: 0411-82510089

FAX: 0411-82510646

• **QINGDAO BRANCH**

ADD: 19 Shandong Road
Qingdao
Shandong Province 266071
PRC

TEL: 0532-85802215

FAX: 0532-85814102

• **NINGBO BRANCH**

ADD: 518 East Zhongshan Road
Ningbo
Zhejiang Province 315040
PRC

TEL: 0574-87363537

FAX: 0574-87363537

• **XIAMEN BRANCH**

ADD: 98-100 Jiahe Road
Siming District
Xiamen
Fujian Province 361009
PRC

TEL: 0592-5578855

FAX: 0592-5578899

• **SHENZHEN BRANCH**

ADD: 5008 East Shennan Road
Shenzhen
Guangdong Province
518001
PRC

TEL: 0775-25590960

FAX: 0755-25572255

• **TIANJIN TRAINING INSTITUTE**

ADD: 88 Weijin Nanlu
Nankai District
Tianjin 300381
PRC

TEL: 022-23381289

FAX: 022-23389307

• **CHANGCHUN TRAINING
INSTITUTE**

ADD: 1408 Qianjin Street
Chaoyang District
Changchun
Jilin Province 130012
PRC

TEL: 0431-86822002

FAX: 0431-86822002

• **WUHAN TRAINING INSTITUTE**

ADD: 186 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430077
PRC

TEL: 027-86783669

FAX: 027-86795502

• **SUZHOU BRANCH**

ADD: 65 Shishan Road
New District
Suzhou
Jiangsu Province 215011
PRC

TEL: 0512-68258999

FAX: 0512-68417800

• **ABC-CA FUND MANAGEMENT CO., LTD.**

ADD: 7/F, Lujiazui Business Plaza
1600 Century Road
Pudong New District
Shanghai 200122
PRC

TEL: 021-61095588

FAX: 021-61095556

• **ABC FINANCIAL LEASING CO., LTD.**

ADD: 5-6/F, 518 East Yan'an Road
Huangpu District
Shanghai 200001
PRC

TEL: 021-68776699

FAX: 021-68777599

• **ABC LIFE INSURANCE CO., LTD.**

ADD: Block A, Minsheng Financial
Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC

TEL: 010-82828899

FAX: 010-82827966

• **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 32 Xinzheng Road,
Xinhe Town
Hanchuan
Hubei Province 431600
PRC

TEL: 0712-8412338

FAX: 0712-8412338

• **ABC HEXIGTEN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Middle Section
Jiefang Road
Jingpeng Township
Hexigten 025350

TEL: 0476-2331111

FAX: 0476-2331111

• **ABC ANSAI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Shop A-02,
Jinmingmeidi Community
Yingbin Road
Ansai County
Shaanxi Province 717400
PRC

TEL: 0911-6229906

FAX: 0911-6229906

• **ABC JIXI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 340 Longchuan Road
Huayang Town
Jixi County
Xuancheng
Anhui Province 245300
PRC

TEL: 0563-8158913

FAX: 0563-8158916

- **ABC XIAMEN TONG'AN RURAL
BANK LIMITED LIABILITY
COMPANY**

ADD: No.185–199 Zhaoyuan
Community
Committee Complex
Zhaoyuan Road,
Tong'an District
Xiamen
Fujian Province 361100
PRC

TEL: 0592-7319223

FAX: 0592-7319221

- **ABC ZHEJIANG YONGKANG
RURAL BANK LIMITED LIABILITY
COMPANY**

ADD: 1/F, Jinsong Building
Yongkang Headquarters
Center
Zhejiang Province 321300
PRC

TEL: 0579-87017378

FAX: 0579-87017378

Overseas Institutions

- **HONG KONG BRANCH**

ADD: 25/F, Agricultural Bank
of China Tower, 50
Connaught Road Central,
Hong Kong

TEL: 00852-28618000

FAX: 00852-28660133

- **SINGAPORE BRANCH**

ADD: No.7 Temasek Boulevard
#30-01/02/03,
Suntec Tower 1,
Singapore 038987

TEL: 0065-65355255

FAX: 0065-65387960

- **SEOUL BRANCH**

ADD: 14F Seoul Finance Center,
84 Taepyung-ro 1-ga,
Chung-gu,
Seoul 100-768,
Korea

TEL: 0082-2-37883900

FAX: 0082-2-37883901

- **NEW YORK BRANCH**

ADD: 277 Park Ave,
30th Floor,
New York,
NY, 10172,
U.S.A.

TEL: 001-212-8888998

FAX: 001-646-7385291

- **AGRICULTURAL BANK OF CHINA
(DIFC BRANCH)**

ADD: Office 2901, Level 29,
Al Fattan Currency House Tower 2,
DIFC, Dubai,
U.A.E

TEL: 00971-45676900

FAX: 00971-45676910

- **TOKYO BRANCH**

ADD: Yusen Building
2-3-2 Marunouchi 100-0005
Japan

TEL: 0081-3-52085577

FAX: 0081-3-52085579

- **FRANKFURT BRANCH**

ADD: Ulmenstrasse 37-39,
60325 Frankfurt am Main,
Germany

TEL: 0049-69-401255-0

FAX: 0049-69-401255-139

- **SYDNEY BRANCH**

ADD: Level 18, Chifley Tower,
2 Chifley Square,
Sydney NSW 2000,
Australia

TEL: 0061-2-8227 8888

FAX: 0061-2-8227 8800

- **LUXEMBOURG BRANCH**

ADD: 65, Boulevard Grande-Duchesse
Charlotte,
Luxembourg L-1331

TEL: 00352-279559900

FAX: 00352-279550005

- **AGRICULTURAL BANK OF CHINA
(UK) LIMITED**

ADD: 7/F, 1 Bartholomew Lane,
London,
EC2N 2AX,
U.K

TEL: 0044-20-73748900

FAX: 0044-20-73746425

- **AGRICULTURAL BANK OF CHINA
(LUXEMBOURG) LIMITED**

ADD: 65, Boulevard Grande-Duchesse
Charlotte,
Luxembourg L-1331

TEL: 00352-279559900

FAX: 00352-279550005

- **AGRICULTURAL BANK OF CHINA
(MOSCOW) LIMITED**

ADD: 4/F, 5 Lesnaya Str.,
Moscow,
125047,
the Russian Federation

TEL: 007-499-9295599

FAX: 007-499-9290180

- **ABC INTERNATIONAL HOLDINGS
LIMITED**

ADD: 16/F, Agricultural Bank of
China Tower,
50 Connaught Road Central,
Hong Kong

TEL: 00852-36660000

FAX: 00852-36660009

- **CHINA AGRICULTURAL FINANCE
CO., LTD.**

ADD: 26/F, Agricultural Bank of
China Tower,
50 Connaught Road
Central,
Hong Kong

TEL: 00852-28631916

FAX: 00852-28661936

- **VANCOUVER REPRESENTATIVE
OFFICE**

ADD: Suite 1260,
355 Burrard Street,
Vancouver,
BC V6C 2G8,
Canada

TEL: 001-604-682-8468

FAX: 001-888-389-9279

- **HANOI REPRESENTATIVE OFFICE**

ADD: Unit V502-503, 5/F,
Pacific Place,
83B Ly Thuong Kiet Street,
Hoan Kiem District,
Hanoi,
Vietnam

TEL: 0084-4-39460599

FAX: 0084-4-39460587

- **TAIPEI REPRESENTATIVE OFFICE**

ADD: 3203, No.333, Keelung Road,
Sec.1, Xinyi District,
Taipei City,
11012,
Taiwan

TEL: 00886-2-27293636

FAX: 00886-2-23452020

Appendix I Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio regarding related regulations by the CBRC.

Regulatory Requirements of Liquidity Coverage Ratio

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

Liquidity Coverage Ratio

The Bank calculated liquidity coverage ratio in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) and applicable calculation requirements. The average of monthly liquidity coverage ratio of the Bank was 127.5% in the fourth quarter of 2015, representing an increase of 2.1 percentage points, over the previous quarter. It was primarily due to the increase in local government bonds investment, resulting in higher growth in qualified high-quality liquid assets. Our liquidity coverage ratio in the fourth quarter of 2015 resumed its growth after a drop. At the end of October, under the combined effects of the rapid decrease in cash outflows due to substantial decrease of non-operational deposits and the increase in cash inflows due to additional secured borrowings (such as reverse repos and borrowed securities), the liquidity coverage ratio increased as compared to the previous month. At the end of November, the liquidity coverage ratio decreased as a result of the significant increase of net cash outflows due to sharp growth in non-operational deposits, which offset the increase in high-quality liquid assets. At the end of December, liquidity coverage ratio recorded slight growth as a result of the increase of cash

inflows due to the increases in secured borrowings (such as. reverse repos and borrowed securities) and inflows from fully performing exposures. The averages of the observations of the LCR and individual line items over the fourth quarter in 2015 are as follows:

In ten thousands of RMB, except for percentages

		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		360,185,568
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	888,136,806	76,808,166
3	<i>Stable deposits</i>	240,110,292	12,005,515
4	<i>Less stable deposits</i>	648,026,514	64,802,651
5	Unsecured wholesale funding, of which:	570,214,425	220,280,839
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	261,018,244	64,066,038
7	<i>Non-operational deposits (all counterparties)</i>	305,968,529	152,987,149
8	<i>Unsecured debt</i>	3,227,652	3,227,652
9	Secured wholesale funding		6,237,267
10	Additional requirements, of which:	107,890,788	19,769,394
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	11,479,305	11,479,305
12	<i>Outflows related to loss of funding on debt products</i>	24,727	24,727
13	<i>Credit and liquidity facilities</i>	96,386,756	8,265,362
14	Other contractual funding obligations	40,186,851	985,995
15	Other contingent funding obligations	67,621,172	32,597,516
16	TOTAL CASH OUTFLOWS		356,679,177
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrow securities)	11,476,717	11,476,717
18	Inflows from fully performing exposures	85,646,662	49,935,317
19	Other cash inflows	12,226,635	11,970,331
20	TOTAL CASH INFLOWS	109,350,014	73,382,365
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		360,185,568
22	TOTAL NET CASH OUTFLOWS		283,296,812
23	LIQUIDITY COVERAGE RATIO (%)		127.5%

Appendix II Leverage Ratio Information

At the end of December 2015, the Bank's leverage ratio, calculated in accordance with the Rules for the Administration of the Leverage Ratio of Commercial Banks (amended), was 6.33%.

At the end of 2014 and before, the Bank's leverage ratio was calculated in accordance with the Rules for the Administration of the Leverage Ratio of Commercial Banks. The leverage ratios calculated by the two methods cannot be compared with each other.

In millions of RMB, except for percentages

Item	31 December 2015	30 September 2015	30 June 2015	31 March 2015
Tier 1 capital, net	1,204,592	1,167,147	1,114,883	1,117,462
Adjusted on-and off-balance sheet assets	19,016,486	18,974,719	18,906,164	18,138,800
Leverage ratio	6.33%	6.15%	5.90%	6.16%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	17,791,393
2	Adjustment for consolidation	(70,033)
3	Adjustment for clients' assets	—
4	Adjustments for derivatives	6,631
5	Adjustment for securities financing transactions	—
6	Adjustment for off-balance sheet items	1,294,090
7	Other adjustments	(5,595)
8	Adjusted on-and off-balance sheet assets	19,016,486

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	17,235,135
2	Less: deductions from Tier 1 capital	(5,595)
3	Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	17,229,540
4	Replacement cost of all derivatives (net of eligible margin)	12,373
5	Potential exposure of all derivatives	10,296
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	22,669
12	Securities financing transaction assets for accounting purpose	470,187
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	470,187
17	Off-balance sheet items	1,895,841
18	Less: off-balance sheet items, before any deduction for credit conversion	(601,751)
19	Adjusted off-balance sheet items	1,294,090
20	Tier 1 capital, net	1,204,592
21	Adjusted on-and off-balance sheet assets	19,016,486
22	Leverage ratio	6.33%

Appendix III The Indicators for Assessing Global Systematic Importance of Commercial Banks

The following disclosure was made in accordance with the relevant requirements of the Guidelines for the Disclosure of Indicators for Assessing Global Systematic Importance of Commercial Banks promulgated by the CBRC.

Assessment Indicators of the Global Systematic Importance of Commercial Banks

In millions of RMB

Category	Item	Balance/ Amount in 2015
Size	1. Total adjusted on-and off-balance sheet assets	19,022,252
Interconnectedness	2. Intra-financial system assets	1,699,175
	3. Intra-financial system liabilities	1,493,238
	4. Securities outstanding	1,494,175
Substitutability	5. Payments activity (from the beginning of the year to the end of the reporting period)	187,539,045
	6. Assets under custody	7,145,110
	7. Underwritten transactions (from the beginning of the year to the end of the reporting period)	456,447
Complexity	8. Notional amount of OTC derivatives	1,536,465
	9. Trading and available-for-sale securities	126,741
	10. Level 3 assets	247,747
Global (cross-jurisdictional activity)	11. Cross-jurisdictional claims	310,797
	12. Cross-jurisdictional liabilities	333,810

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

Auditor's Report and Consolidated Financial Statements
For the year ended 31 December 2015
(Prepared under International Financial Reporting Standards)

Independent Auditor's Report

To the shareholders of Agricultural Bank of China Limited (Incorporated in the People's Republic of China with Limited Liability)

We have audited the consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries set out on pages 1 to 143, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2016

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
	IV	2015	2014
Interest income	1	725,793	699,289
Interest expense	1	(289,653)	(269,398)
Net interest income	1	436,140	429,891
Fee and commission income	2	90,494	87,883
Fee and commission expense	2	(7,945)	(7,760)
Net fee and commission income	2	82,549	80,123
Net trading gain	3	3,562	1,908
Net gain on financial instruments designated at fair value through profit or loss	4	1,727	1,505
Net gain on investment securities		857	335
Other operating income	5	16,027	10,364
Operating income		540,862	524,126
Operating expenses	6	(225,818)	(223,898)
Impairment losses on assets	8	(84,172)	(67,971)
Operating profit		230,872	232,257
Share of result of associate	24	(15)	-
Profit before tax		230,857	232,257
Income tax expense	9	(50,083)	(52,747)
Profit for the year		180,774	179,510
Attributable to:			
Equity holders of the Bank		180,582	179,461
Non-controlling interests		192	49
		180,774	179,510
Earnings per share attributable to the equity holders of the Bank (expressed in RMB yuan per share)			
- Basic and diluted	11	0.55	0.55

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

AGRICULTURAL BANK OF CHINA LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2015	2014
Profit for the year	<u>180,774</u>	<u>179,510</u>
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	25,831	34,587
Income tax impact for fair value changes on available-for-sale financial assets	(6,449)	(8,622)
Foreign currency translation differences	<u>690</u>	<u>152</u>
Other comprehensive income, net of tax	<u>20,072</u>	<u>26,117</u>
Total comprehensive income for the year	<u>200,846</u>	<u>205,627</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	200,583	205,503
Non-controlling interests	<u>263</u>	<u>124</u>
	<u>200,846</u>	<u>205,627</u>

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

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December	
		2015	2014
Assets			
Cash and balances with central banks	12	2,587,057	2,743,065
Deposits with banks and other financial institutions	13	697,923	572,805
Precious metals		40,909	20,188
Placements with and loans to banks and other financial institutions	14	504,252	407,062
Financial assets held for trading	15	79,782	58,425
Financial assets designated at fair value through profit or loss	16	359,479	356,235
Derivative financial assets	17	16,038	7,195
Financial assets held under resale agreements	18	471,809	509,418
Loans and advances to customers	19	8,506,675	7,739,996
Available-for-sale financial assets	20	1,214,542	927,903
Held-to-maturity investments	21	2,300,824	1,710,950
Debt instruments classified as receivables	22	557,420	522,117
Investments in associate	24	273	-
Property and equipment	25	156,178	154,950
Goodwill	23	1,381	1,381
Deferred tax assets	26	81,548	78,640
Other assets	27	215,303	163,822
Total assets		17,791,393	15,974,152
Liabilities			
Borrowings from central banks	28	60,599	80,121
Deposits from banks and other financial institutions	29	1,221,901	831,141
Placements from banks and other financial institutions	30	315,759	224,923
Financial liabilities held for trading	31	24,036	25,211
Financial liabilities designated at fair value through profit or loss	32	406,407	347,282
Derivative financial liabilities	17	12,192	7,240
Financial assets sold under repurchase agreements	33	88,804	131,021
Due to customers	34	13,538,360	12,533,397
Debt securities issued	35	382,742	325,167
Deferred tax liabilities	26	111	43
Other liabilities	36	528,597	435,987
Total liabilities		16,579,508	14,941,533

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
	IV	2015	2014
Equity			
Ordinary shares	37	324,794	324,794
Preference shares	38	79,899	39,944
Capital reserve	39	98,773	98,773
Investment revaluation reserve	40	22,429	3,118
Surplus reserve	41	96,748	78,594
General reserve	42	175,606	156,707
Retained earnings		412,005	329,989
Foreign currency translation reserve		(163)	(853)
Equity attributable to equity holders of the Bank		1,210,091	1,031,066
Non-controlling interests		1,794	1,553
Total equity		1,211,885	1,032,619
Total equity and liabilities		17,791,393	15,974,152

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

Approved and authorized for issue by the Board of Directors on 31 March 2016.

Zhao Huan

Vice Chairman

Lou Wenlong

Executive Director

AGRICULTURAL BANK OF CHINA LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	Total equity attributable to equity holders of the Bank								Subtotal	Non- controlling interests	Total
		Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve			
As at 1 January 2015		324,794	39,944	98,773	3,118	78,594	156,707	329,989	(853)	1,031,066	1,553	1,032,619
Profit for the year		-	-	-	-	-	-	180,582	-	180,582	192	180,774
Other comprehensive income		-	-	-	19,311	-	-	-	690	20,001	71	20,072
Total comprehensive income for the year		-	-	-	19,311	-	-	180,582	690	200,583	263	200,846
Issuance of preference shares	38	-	39,955	-	-	-	-	-	-	39,955	-	39,955
Appropriation to surplus reserve	41	-	-	-	-	18,154	-	(18,154)	-	-	-	-
Appropriation to general reserve	42	-	-	-	-	-	18,899	(18,899)	-	-	-	-
Dividends paid to ordinary shareholders	10	-	-	-	-	-	-	(59,113)	-	(59,113)	-	(59,113)
Dividends paid to preference shareholders	10	-	-	-	-	-	-	(2,400)	-	(2,400)	-	(2,400)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(22)	(22)
As at 31 December 2015		324,794	79,899	98,773	22,429	96,748	175,606	412,005	(163)	1,210,091	1,794	1,211,885

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	Total equity attributable to equity holders of the Bank								Subtotal	Non- controlling interests	Total
		Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve			
As at 1 January 2014		324,794	-	98,773	(22,772)	60,632	139,204	243,482	(1,005)	843,108	1,429	844,537
Profit for the year		-	-	-	-	-	-	179,461	-	179,461	49	179,510
Other comprehensive income		-	-	-	25,890	-	-	-	152	26,042	75	26,117
Total comprehensive income for the year		-	-	-	25,890	-	-	179,461	152	205,503	124	205,627
Issuance of preference shares	38	-	39,944	-	-	-	-	-	-	39,944	-	39,944
Appropriation to surplus reserve	41	-	-	-	-	17,962	-	(17,962)	-	-	-	-
Appropriation to general reserve	42	-	-	-	-	-	17,503	(17,503)	-	-	-	-
Dividends paid to ordinary shareholders	10	-	-	-	-	-	-	(57,489)	-	(57,489)	-	(57,489)
As at 31 December 2014		324,794	39,944	98,773	3,118	78,594	156,707	329,989	(853)	1,031,066	1,553	1,032,619

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

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	230,857	232,257
Adjustments for:		
Impairment losses on assets	84,172	67,971
Depreciation of property and equipment	16,743	16,615
Amortization of intangible assets and other assets	2,890	2,713
Interest income arising from investment securities	(145,535)	(123,053)
Interest income arising from impaired loans and advances to customers	(1,765)	(1,002)
Interest expense on debt securities issued	10,988	10,179
Revaluation gain on financial instruments at fair value through profit or loss	(5,285)	(1,861)
Net gain on investment securities	(857)	(335)
Share of result of associate	15	-
Net gain on disposal of property, equipment and other assets	(440)	(393)
Net foreign exchange (gain)/loss	(11,615)	1,107
	<u>180,168</u>	<u>204,198</u>
Net change in operating assets and operating liabilities:		
Net decrease/(increase) in balances with central banks, deposits with banks and other financial institutions	108,639	(335,229)
Net increase in placements with and loans to banks and other financial institutions	(60,050)	(48,818)
Net decrease in financial assets held under resale agreements	6,593	122,146
Net increase in loans and advances to customers	(824,382)	(887,572)
Net (decrease)/increase in borrowings from central banks	(19,522)	80,017
Net increase in placements from banks and other financial institutions	90,836	50,560
Net increase in due to customers and deposits from banks and other financial institutions	1,395,723	823,773
Increase in other operating assets	(119,076)	(119,917)
Increase in other operating liabilities	124,032	214,283
	<u>882,961</u>	<u>103,441</u>
Cash from operations	882,961	103,441
Income tax paid	(62,613)	(68,826)
NET CASH FROM OPERATING ACTIVITIES	<u>820,348</u>	<u>34,615</u>

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	Year ended 31 December 2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		870,994	629,129
Cash received from interest income arising from investment securities		135,037	112,781
Cash received from disposal of investment in joint ventures		-	1
Cash received from disposal of property, equipment and other assets		1,032	2,819
Cash paid for purchase of investment securities		(1,752,782)	(859,158)
Increase in investment in associate		(288)	-
Cash paid for purchase of property, equipment and other assets		(21,687)	(25,997)
NET CASH USED IN INVESTING ACTIVITIES		(767,694)	(140,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from preference shareholders		40,000	40,000
Cash received from debt securities issued		552,851	271,873
Dividends paid to:		(61,535)	(57,489)
Ordinary shareholders		(59,113)	(57,489)
Preference shareholders		(2,400)	-
Non-controlling interests		(22)	-
Repayments of debt securities issued		(496,684)	(213,359)
Cash payments for interest on debt securities issued		(11,306)	(10,107)
Cash payments for transaction cost of preference shares issued		(63)	(38)
Cash payments for transaction cost of debt securities issued		(17)	(58)
NET CASH FROM FINANCING ACTIVITIES		23,246	30,822
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		75,900	(74,988)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		738,241	813,799
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		7,828	(570)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	43	821,969	738,241
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		554,629	548,718
Interest paid		(245,840)	(229,793)

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

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

I 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. 1000000000005472 issued by the State Administration of Industry and Commerce of the PRC. The registered office of the Bank is located at No.69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

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

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

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Amendments to the accounting standards effective in 2015 and adopted by the Group

The following amendments have been adopted by the Group for the first time during the financial year ended 31 December 2015.

- | | | |
|-----|--|---|
| (1) | Amendments to IAS 19
(as revised in 2011) | Employee Benefits - To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits |
| (2) | Amendments to IFRSs | Annual Improvements to IFRSs 2010 - 2012 Cycle |
| (3) | Amendments to IFRSs | Annual Improvements to IFRSs 2011 - 2013 Cycle |

(1) *Amendment to IAS 19 (as revised in 2011): Employee Benefits - To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits*

The amendment to IAS 19 (as revised in 2011) - Employee Benefits applies to defined benefit plans where employees or third parties are required to bear some of the cost of the plan. The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service period will be required to recognize the benefit of those contributions over employees' service period.

(2) *Amendments to IFRSs: Annual Improvements to IFRSs 2010 - 2012 Cycle*

The annual improvements to IFRSs 2010 - 2012 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 2 - Share-Based Payment, the amendments to IFRS 3 - Business Combinations, the amendments to IFRS 8 - Operating Segments, the amendments to IFRS 13 - Fair Value Measurement, the amendments to IAS 24 - Related Party Disclosures, the amendments to IAS 16 - Property, Plant and Equipment, and the amendments to IAS 38 - Intangible Assets.

(3) *Amendments to IFRSs: Annual Improvements to IFRSs 2011 - 2013 Cycle*

The annual improvements to IFRSs 2011 - 2013 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards, the amendments to IFRS 3 - Business Combinations, the amendments to IFRS 13 - Fair Value Measurement, and the amendments to IAS 40 - Investment Property.

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

1.2 New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.3 Amendments that are not yet effective but have been early adopted in 2015

The Group has adopted the following amendments that have been issued but are not yet effective in 2015.

		Effective for annual periods beginning on or after
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016

Amendments to IAS 27: Equity Method in Separate Financial Statements

The IASB has amended IAS 27 - Separate Financial Statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group has early adopted this amendment in 2015 and used equity method to account for investment in associate in separate financial statements. The adoption of this new amendment does not have a significant impact on the Bank's financial statements.

1.4 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2015

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

		Effective for annual periods beginning on or after
(1)	IFRS 14	Regulatory Deferral Account
(2)	Amendments to IFRS 11	Acquisition of Interests in Joint Operations
(3)	Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
(4)	Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants
(5)	Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 cycle
(6)	Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
(7)	Amendments to IAS 1	Disclosure Initiative
(8)	Amendments to IAS 12	Income Taxes
(9)	Amendments to IAS 7	Statement of Cash Flows

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.4 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2015 (Continued)

		Effective for annual periods beginning on or after
(10)	IFRS 15 Revenue from Contracts with Customers	1 January 2018
(11)	IFRS 9 Financial Instruments	1 January 2018
(12)	IFRS 16 Leases	1 January 2019
(13)	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

(1) IFRS 14: Regulatory Deferral Account

The IASB has issued IFRS 14 - Regulatory Deferral Accounts, an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). IFRS 14 is only applicable to entities that apply IFRS 1 - First-time Adoption of International Financial Reporting Standards as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure. The Group anticipates that the adoption of this new standard should not have any impact on the Group's consolidated financial statements.

(2) Amendments to IFRS 11: Acquisition of Interests in Joint Operations

The amendments to IFRS 11 - Joint Arrangements provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(3) Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 - Property, Plant and Equipment, clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments to IAS 38 - Intangible Assets, establish a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances. The Group anticipates that the adoption of these amendments should not have any impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.4 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2015 (Continued)

(4) Amendments to IAS 16 and IAS 41 on Agriculture: Bearer Plants

The amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41. The produce on bearer plants will remain in the scope of IAS 41. The Group anticipates that the adoption of these amendments should not have any impact on the Group's consolidated financial statements.

(5) Amendments to IFRSs: Annual Improvements to IFRSs 2012 - 2014 cycle

The Annual Improvements to IFRSs 2012 - 2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations regarding methods of disposal, the amendments to IFRS 7 - Financial Instruments: Disclosures regarding servicing contracts, the amendments to IAS 19 - Employee Benefits regarding discount rates, the amendments to IAS 34 - Interim Financial Reporting regarding disclosure of information. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

(6) Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10. The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

The amendments to IAS 28 allow an entity which is itself not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a policy choice to retain the fair value measurement applied by the associate or joint venture, or to unwind the fair value measurement and perform a consolidation at the level of the associate or joint venture for their subsidiaries.

The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.4 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2015 (Continued)

(7) Amendments to IAS 1: Disclosure Initiative

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(8) Amendments to IAS 12: Income Taxes

The IASB has issued amendments to IAS 12 - Income taxes. These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(9) Amendments to IAS 7: Statement of Cash Flows

The IASB has issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(10) IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.4 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2015 (Continued)

(11) IFRS 9: Financial Instruments

The complete version of IFRS 9 – Financial Instruments was issued in July 2014. It replaces the guidance in IAS 39 – Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI in which case the accumulated fair value changes in OCI will not be recycled to the profit or loss in the future. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. The Group is in the process of assessing the impact on the Group’s consolidated financial statements from this new standard.

(12) IFRS 16: Leases

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 ‘Leases’, and related interpretations. The Group is in the process of assessing the impact on the Group’s consolidated financial statements from this new standard.

(13) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between the requirements in IFRS 10 – Consolidated Financial Statements and those in IAS 28 – Investment in Associates and Joint Ventures in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and the subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances, and income and expense are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 - Income Taxes and IAS 19 - Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. With respect to goodwill arising during a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 - Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Investment in associate (Continued)

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

3 Interest income and expense

Interest income and expense for all interest-earning financial assets and interest-bearing financial liabilities are recognized within Interest Income and Interest Expense, respectively, in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income on an impaired financial asset or a group of impaired similar financial assets is recognized using the original interest rate which was used to discount the future cash flows for the purpose of measuring the impairment loss.

4 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a specified period of time, fee and commission income is accrued over that period as the services are provided. For other services, fee and commission income are recognized at the time the services are completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 Foreign currency transactions

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

- (i) exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;
- (ii) changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of Foreign Currency Translation Reserve and Non-controlling Interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in the consolidated income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated income statement. Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated income statement for the period in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated income statement when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated income statement. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated income statement when incurred.

8 Financial instruments

Financial assets and liabilities are recognized in the consolidated statement of financial position and classified into one of the categories presented below. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, respectively, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in the consolidated income statement.

8.1 Financial assets

The Group's financial assets are classified into four categories - financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories - financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of sale in the near future; or
- it forms part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative instrument that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 - Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any impairment losses.

Financial assets classified as loans and receivables primarily include deposits 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, and specified debt securities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the consolidated income statement.

Equity investments classified as available-for-sale that do not have a quoted price in an active market and whose fair value cannot be reliably determined are measured at cost, less any impairment losses, at the end of each reporting period.

Interest income related to financial assets classified as available-for-sale debt instruments is calculated using the effective interest method and recorded as an element of Interest Income in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when the Group's right to receive such payments is established.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the financial assets have been adversely affected.

A significant or prolonged decline in the fair value of an equity investment classified as available-for-sale below its cost is considered to be objective evidence of impairment.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets, although the decrease cannot yet be attributed to individual financial assets in the portfolio.
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in collective assessment of impairment.

Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in the consolidated income statement when there is objective evidence that the assets are impaired. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that are expected to result from foreclosure, less the cost of obtaining and selling the collateral.

The carrying amount of an impaired financial asset is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated income statement. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets (Continued)

Impairment of financial assets carried at amortized cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as an improvement in the debtor's credit rating, the previously recognized impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of financial assets classified as available-for-sale

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or prolonged, the Group considers if the fair value of an available-for-sale equity instrument as at the balance sheet date is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than one year (including one year) together with other relevant considerations.

When a decline in the fair value of a financial asset classified as available-for-sale has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve, and there is objective evidence that asset is impaired, the cumulative losses previously recognized in other comprehensive income are reclassified to the consolidated income statement in the period in which the impairment takes place.

An impairment loss on an equity investment classified as available-for-sale, and carried at fair value, is not reversed through the consolidated income statement in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. An impairment loss on an equity investment classified as available-for-sale equity investment, and carried at cost, is not reversed. An impairment loss on a debt investment classified as available-for-sale is subsequently reversed through the consolidated income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

8.2 Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument in IAS 39 and IAS 32, respectively.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities, carried at amortized cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.2 Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

The criteria for a financial liability designated at FVTPL is the same as those for a financial asset designated at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising on re-measurement recognized directly in the consolidated income statement in the period in which they arise.

Other financial liabilities

Other financial liabilities are measured at amortized cost, using the effective interest method.

8.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

- (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and
- (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

8.4 Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not clearly and closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the consolidated income statement. These embedded derivatives are separately accounted for at FVTPL.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.5 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

8.6 De-recognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

8.7 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.8 Repurchase agreements and agreements to resell

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as held-to-maturity investments, available-for-sale financial assets or debt instruments classified as receivables as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note IV 47 Contingent Liabilities and Commitments - Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements.

The difference between purchase and sale price is recognized as interest expense or income in the consolidated income statement over the term of the agreements using the effective interest method.

9 Insurance contracts

Insurance contract classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk, relative to an insured event or occurrence. The Group issues primarily life insurance contracts, which insure events associated with mortality over a long duration. The Group also issues non-life insurance contracts, which cover short-term casualty and health insurance risk. When necessary, the Group enters into reinsurance contracts to transfer insurance risks to reinsurer. A significant insurance risk test is performed at inception of the insurance contracts.

Some insurance contracts contain both an insurance component and a deposit component. The Group unbundles those components, if the insurance component and the deposit component are separately measurable. The unbundled insurance component is accounted for according to IFRS 4 - Insurance Contracts and the unbundled deposit component is accounted for as a financial liability under investment contract liabilities.

Insurance income recognition

Premiums from long-term life insurance contracts are recognized as revenue when due from policyholders. Premiums related to short-term non-life insurance contracts are recognized when received at the inception of the policy, as unearned insurance premiums in the consolidated statement of financial position, and are amortized on a straight-line basis into the consolidated income statement over the term of the policy.

When the Group has transferred insurance risk through reinsurance contracts, the Group calculates the amount of premium ceded and the reinsurers' share of expenses and recognizes them through the consolidated income statement in accordance with the terms of the reinsurance contracts.

Insurance contract liabilities

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments that the Group will be required to make to fulfill its obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows related to such contracts. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period. The Group has considered the impact of time value in the liability calculation for long-term life insurance.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 Insurance contracts (Continued)

Insurance contract liabilities (Continued)

The Group performs liability adequacy tests based on information currently available, as at the reporting date. Additional insurance contract liabilities will be recorded if any deficiency exists.

10 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

11 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in Property and Equipment.

Depreciation is recognized as a component of Operating Expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

<u>Classes</u>	<u>Estimated residual</u>		<u>Annual Depreciation rates</u>
	<u>Useful lives</u>	<u>Value rates</u>	
Buildings	5 - 50 years	3%	1.94% - 19.40%
Electronic equipment, furniture and fixtures	3 - 11 years	3%	8.82% - 32.33%
Motor vehicles	5 - 8 years	3%	12.13% - 19.40%

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 Property and equipment (Continued)

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Other Operating Income in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note II 18 Impairment of Tangible and Intangible Assets other than Goodwill.

12 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

13 Foreclosed assets

Foreclosed assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at its net carrying amount.

14 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditures incurred for the investment property are included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

At the end of the reporting period, the Group reviews the carrying amounts of its investment properties to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount (the higher of fair value less costs to sell and value in use) of the property is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of a property is estimated to be less than its carrying amount, the carrying amount of the property is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement. The accounting policies of impairment of investment property are included in Note II 18 Impairment of Tangible and Intangible Assets other than Goodwill.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14 Investment property (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment") is recorded in the consolidated statement of financial position as Loans and advances to customers. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, amortizing over the term of the lease using the effective interest method and recognized in the consolidated income statement.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognized as the Group's property and equipment. Rental income from operating leases is recognized as Other Operating Income in the consolidated income statement on a straight-line basis over the term of the related lease.

The Group as lessee

When the Group is a lessee under finance leases, the leased assets are capitalized initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in Other Liabilities. Finance charges are charged over the term of the lease using the effective interest method and recognized in the consolidated income statement. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

When the Group is the lessee in an operating lease, operating lease payments are recognized as an expense and charged to Operating Expenses in the consolidated income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognized over the lease term.

16 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include Cash and assets with original maturity of three months or less under Balances with Central Banks, Deposits with Banks and Other Financial Institutions, Placements with and Loans to Banks and Other Financial Institutions and Financial Assets Held under Resale Agreements.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

18 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

19 Dividend distribution

Dividend distribution to the Bank's ordinary shareholders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the shareholders' annual general meeting of the Bank.

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

20 Provision

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees recognized in accordance with the revenue recognition policy, and the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions, historical losses and supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note IV 47 Contingent Liabilities and Commitments.

A provision is recognized when it meets the criteria as set forth in Note II 20 Provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including on the basis of reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and key estimates that the management has made in the process of applying the Group's accounting policies and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

1 Impairment losses on loans and advances to customers

The Group reviews its loan portfolio to assess impairment on a periodic basis during the year. In determining whether an impairment loss should be recognized in the consolidated income statement, the Group makes estimates and judgments as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to individually significant loans or pools of loans with similar risk characteristics, as described in Note II 8.1 Impairment of Financial Assets Carried at Amortized Cost.

Significant judgments are made in the determination of whether objective evidence of impairment exists in individually significant loans or pools of smaller-balance loans with similar risk characteristics. Among other things, objective evidence of impairment includes deterioration in the financial condition of specific borrowers (or specific pools of borrowers) affecting their ability to meet their loan payment obligations, as well as increasing industry sector over-capacity or obsolescence, or deterioration in national or regional economic conditions that are correlated to increasing loan defaults. These judgments are made both during management's regular assessments of loan quality and when other circumstances indicate the possibility that objective evidence of impairment may exist.

Where it is determined that objective evidence of impairment exists, significant judgments and estimates are made in estimating the adverse impact on future cash flows related to individually significant impaired loans. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Factors affecting these estimates include the availability and granularity of information related to specific borrowers and the clarity of the correlation between qualitative factors, such as industry sector performance or changes in regional economic conditions and loan defaults of related borrowers.

When the decrease may not have been identified individually or the individual loan is not significant, management uses estimates based on historical loss experience on a collective basis on loans with similar credit risk characteristics to assess the impairment loss. Significant judgments are also applied to the calculation of collectively assessed impairment. Critical factors affecting these judgments include modeling assumptions (e.g., loss emergence period and loss given default) and levels of correlation between qualitative factors and loan default. The Group considers the impact of the changes and uncertainty in the macro-economic environment, in which the Group operates when assessing the methodology and assumptions used for loss estimation, as well as management's capability in managing loan portfolio, and makes adjustments where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

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

2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

3 Held-to-maturity investments

The Group classifies non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity as held-to-maturity investments. In assessing the Group's intention and ability to hold such investments to maturity, management primarily considers the business purpose for acquiring a security, as well as the Group's liquidity needs. This is a significant judgment because if the Group fails to hold these investments to maturity, other than for specific and limited circumstances (e.g., sale of an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets and be precluded from classifying investments as held-to-maturity investments for two years.

4 Impairment of other financial assets

For held-to-maturity investments and financial instruments classified as receivables, the determination of whether such an investment is impaired requires significant judgment. Objective evidence that a financial asset or group of financial assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence of impairment on expected future cash flows of the investment is taken into account.

For available-for-sale investments, the determination of whether such an investment is impaired requires significant judgment. In making this judgment, the Group considers the duration and extent to which the fair value of an investment is less than its cost; or whether other objective evidence of impairment exists based on the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

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

5 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax, deferred income tax, and business tax during the period in which such a determination is made.

6 Employee early retirement benefits obligations

The Group recognizes liabilities in connection with early retirement benefits for employees in Domestic Institutions using the projected unit credit actuarial cost method based on various assumptions, including the discount rate, average medical expenses growth rate, pension benefit growth rate for early retirements and other factors. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated income statement in the period during which such changes take place and the corresponding liability recognized in the consolidated statement of financial position.

7 Control over structured entity

Where the Group acts as asset manager of structured entities, the Group makes judgment on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests that it holds in the structured entities. The Group performs re-assessment periodically.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 NET INTEREST INCOME

	Year ended 31 December	
	2015	2014
Interest income		
Loans and advances to customers	476,988	470,829
Including: Corporate loans and advances	321,040	326,541
Personal loans and advances	145,181	138,500
Discounted bills	10,767	5,788
Held-to-maturity investments	83,684	66,152
Available-for-sale financial assets	41,344	35,257
Balances with central banks	39,745	40,018
Deposits with banks and other financial institutions	25,409	22,784
Financial assets held under resale agreements	21,378	27,981
Debt instruments classified as receivables	20,507	21,644
Placements with and loans to banks and other financial institutions	14,391	12,516
Financial assets held for trading	1,999	1,923
Financial assets designated at fair value through profit or loss	348	185
Subtotal	<u>725,793</u>	<u>699,289</u>
Interest expense		
Due to customers	(233,377)	(221,706)
Deposits from banks and other financial institutions	(37,036)	(26,681)
Debt securities issued	(10,988)	(10,179)
Placements from banks and other financial institutions	(4,731)	(7,318)
Borrowings from central bank	(1,890)	(1,003)
Financial assets sold under repurchase agreements	(1,631)	(2,511)
Subtotal	<u>(289,653)</u>	<u>(269,398)</u>
Net interest income	<u>436,140</u>	<u>429,891</u>
Interest income accrued on impaired financial assets (included within interest income)	<u>1,765</u>	<u>1,002</u>

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2015	2014
Fee and commission income		
Agency services	28,628	22,945
Bank card	20,689	19,279
Settlement and clearing services	17,714	21,123
Electronic banking services	8,962	7,379
Consultancy and advisory services	8,892	11,031
Custodian and other fiduciary	2,857	3,114
Credit commitment	2,547	2,807
Others	205	205
Subtotal	90,494	87,883
Fee and commission expense		
Bank card	(3,401)	(3,127)
Settlement and clearing services	(1,921)	(2,283)
Electronic banking services	(1,852)	(1,766)
Others	(771)	(584)
Subtotal	(7,945)	(7,760)
Net fee and commission income	82,549	80,123

3 NET TRADING GAIN

	Year ended 31 December	
	2015	2014
Net gain on held-for-trading debt securities	1,370	1,179
Net gain on precious metals (1)	829	667
Net gain on foreign exchange rate derivatives	1,489	115
Net loss on interest rate derivatives	(126)	(53)
Total	3,562	1,908

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

4 NET GAIN ON FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2015	2014
Net gain on principal guaranteed wealth management products	1,693	1,507
Net (loss)/gain on debt securities	(17)	12
Others	51	(14)
Total	1,727	1,505

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 OTHER OPERATING INCOME

	Year ended 31 December	
	2015	2014
Insurance premium	7,749	3,684
Government grant	3,237	1,969
Net gain on foreign exchange	2,842	2,915
Rental income	316	336
Gain on disposal of property and equipment	255	416
Others	1,628	1,044
Total	16,027	10,364

6 OPERATING EXPENSES

		Year ended 31 December	
		2015	2014
Staff costs	(1)	110,349	111,469
General operating and administrative expenses	(2)	48,461	49,195
Business tax and surcharges	(3)	29,075	28,880
Depreciation and amortization		19,633	19,328
Insurance benefits and claims		7,984	3,904
Provision for guarantees and commitments		3,084	8,898
Provision for risk incidents and legal proceedings		5,509	471
Others		1,723	1,753
Total		225,818	223,898

(1) Staff costs

	Year ended 31 December	
	2015	2014
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	67,513	66,780
Housing funds	8,851	8,186
Social insurance	4,956	4,454
Including: Medical insurance	4,317	3,848
Maternity insurance	352	328
Employment injury insurance	287	278
Labor union fees and staff education expenses	3,026	2,977
Others	9,458	12,825
Subtotal	93,804	95,222
Defined contribution benefits	15,151	14,636
Early retirement benefits	1,394	1,611
Total	110,349	111,469

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB139 million for the year (2014: RMB132 million).

AGRICULTURAL BANK OF CHINA LIMITED

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 OPERATING EXPENSES (Continued)

- (3) Business tax for the Group's Domestic Operations is generally calculated as 5% of taxable income, which was declared and paid to the local tax department by Domestic Operations.

In accordance with the "Circular regarding the Business Taxes Preferential Policies on Agriculture-related Loans Granted by the County Area Banking Division of Agricultural Bank of China Limited" (Cai Shui [2014] No. 5), jointly issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") on 10 January 2014, business tax of the Group's county-level sub-branches in the 19 provinces for the pilot program would be levied at 3% on interest income from agriculture-related loans from 1 November 2013 to 31 December 2015.

In accordance with the "Circular regarding the Business Taxes Preferential Policies on Agriculture-related Loans Granted by the County Area Banking Division of Agricultural Bank of China Limited" (Cai Shui [2015] No. 67), jointly issued by the MOF and the SAT on 11 June 2015, the Group's county-level sub-branches in all the provinces for the pilot program would benefit from the above business taxes preferential policies from 1 May 2015 to 31 December 2015. From the effective date of this new circular (Cai Shui [2015] No. 67), the then existing circular (Cai Shui [2014] No. 5) was superseded.

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

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

7 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) Details of the Directors', Supervisors' and Senior managements' emoluments are as follows (in thousands of RMB):

Item	Fees	Basic salaries and allowance	Year ended 31 December 2015		Total
			Contribution to retirement benefit schemes	Other benefits in kind(xxi)	
Executive Directors					
Liu Shiyu	-	448	66	53	567
Cai Huaxiang (i)(ii)	-	403	66	53	522
Lou Wenlong (ii)	-	403	66	53	522
Independent Non-Executive Directors					
Frederick Ma Si-hang	397	-	-	-	397
Wen Tiejun	399	-	-	-	399
Francis Yuen Tin-fan	376	-	-	-	376
Xiao Xing (iii)	292	-	-	-	292
Lu Jianping (iv)	-	-	-	-	-
Non-Executive Directors					
Zhao Chao (v)	-	-	-	-	-
Zhou Ke (v)	-	-	-	-	-
Zhang Dinglong (v)(vi)	-	-	-	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

- (1) Details of the Directors', Supervisors' and Senior managements' emoluments are as follows (in thousands of RMB) (Continued):

Year ended 31 December 2015						
Item		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xxi)	Total
Non-Executive Directors (Continued)						
Chen Jianbo	(v)(vi)	-	-	-	-	-
Hu Xiaohui	(v)(vii)	-	-	-	-	-
Xu Jiandong	(v)(viii)	-	-	-	-	-
Supervisors						
Yuan Changqing	(ix)	-	261	40	32	333
Wang Xingchun	(x)	-	-	-	-	-
Zheng Xin	(xi)	30	-	-	-	30
Xia Zongyu	(xi)	30	-	-	-	30
Xia Taili	(xi)	30	-	-	-	30
Li Wang	(xii)	143	-	-	-	143
Lv Shuqin	(xii)	143	-	-	-	143
Senior Managements						
Gong Chao		-	403	66	53	522
Wang Wei		-	403	66	53	522
Li Zhenjiang		-	403	66	53	522
Lin Xiaoxuan	(xiii)	-	202	34	28	264
Zhang Keqiu	(xiv)	-	405	58	98	561
Executive Director resigned						
Zhang Yun	(xv)	-	448	66	53	567
Independent Non-Executive Directors resigned						
Anthony Wu Ting-yuk	(xvi)	157	-	-	-	157
Qiu Dong	(xvi)	164	-	-	-	164
Non-executive Directors resigned						
Shen Bingxi	(v)(xvii)	-	-	-	-	-
Cheng Fengchao	(v)(xvii)	-	-	-	-	-
Xiao Shusheng	(v)(xvii)	-	-	-	-	-
Supervisors resigned						
Che Yingxin	(xviii)	-	149	21	17	187
Jia Xiangsen	(xix)	25	-	-	-	25
Dai Genyou	(xii)	138	-	-	-	138
Senior Management resigned						
Zhu Gaoming	(xx)	-	491	40	59	590
Total		2,324	4,419	655	605	8,003

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(1) Details of the Directors', Supervisors' and Senior Managements' emoluments are as follows (in thousands of RMB) (Continued):

- (i) Cai Huaxiang was elected Executive Director effective 7 September 2015.
- (ii) Cai Huaxiang and Lou Wenlong are also the Senior Managements of the Group and their emoluments disclosed above include those for services rendered by them as the Senior Managements.
- (iii) Xiao Xing was elected Independent Non-Executive Director effective 6 March 2015.
- (iv) Lu Jianping was elected Independent Non-Executive Director effective 5 June 2015.
- (v) These Non-Executive Directors of the Bank did not receive any fees from the Bank. Their emoluments were borne by the major Equity Holders of the Bank.
- (vi) Zhang Dinglong and Chen Jianbo were elected Non-Executive Directors effective 15 January 2015.
- (vii) Hu Xiaohui was elected Non-Executive Director effective 14 January 2015.
- (viii) Xu Jiandong was elected Non-Executive Director effective 28 February 2015.
- (ix) Yuan Changqing was elected Chairman of the Board of Supervisors effective 29 June 2015.
- (x) Wang Xingchun did not receive any emoluments for his part-time position as shareholder representative supervisor from the Bank in 2015.
- (xi) For Employee Representative Supervisors of the Bank, the amounts set forth above only included fees for their services as supervisors.
- (xii) Li Wang and Lv Shuqin were elected External Supervisors effective 29 June 2015, and Dai Genyou ceased to be External Supervisor effective 29 June 2015.
- (xiii) Lin Xiaoxuan was elected Executive Vice President effective 7 September 2015.
- (xiv) Zhang Keqiu was elected Secretary to the Board of Directors effective 24 June 2015.
- (xv) Zhang Yun ceased to be Executive Director and President effective 4 December 2015.
- (xvi) Anthony Wu Ting-yuk and Qiu Dong ceased to be Independent Non-Executive Directors effective 5 June 2015.
- (xvii) Shen Bingxi, Cheng Fengchao and Xiao Shusheng ceased to be Non-Executive Directors effective 16 January 2015.
- (xviii) Che Yingxin ceased to be Chairman of the Board of Supervisors effective 28 April 2015.
- (xix) Jia Xiangsen ceased to be Supervisor Representing Employees effective 26 October 2015.
- (xx) Zhu Gaoming ceased to be Secretary to the Board of Directors effective 5 May 2015.
- (xxi) Other benefits in kind include the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

The total compensation packages for the above Executive Directors, Supervisors and Senior Managements for the year ended 31 December 2015 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC at the date of this report. The final compensation will be disclosed in a separate announcement when determined.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

- (1) Details of the Directors', Supervisors' and Senior managements' emoluments are as follows (in thousands of RMB)(Continued):

Year ended 31 December 2014 (Restated)						
Item		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xv)	Total
Executive Directors						
Liu Shiyu	(i)	-	293	21	39	353
Zhang Yun	(ii)	-	1,581	113	216	1,910
Lou Wenlong	(ii)	-	1,492	109	206	1,807
Independent Non-Executive Directors						
Anthony Wu Ting-yuk		410	-	-	-	410
Qiu Dong		440	-	-	-	440
Frederick Ma Si-hang		350	-	-	-	350
Wen Tiejun		360	-	-	-	360
Francis Yuen Tin-fan		360	-	-	-	360
Non-Executive Directors						
Shen Bingxi	(iii)	-	-	-	-	-
Cheng Fengchao	(iii)	-	-	-	-	-
Xiao Shusheng	(iii)	-	-	-	-	-
Zhao Chao	(iii)	-	-	-	-	-
Zhou Ke	(iii)(iv)	-	-	-	-	-
Supervisors						
Che Yingxin		-	1,546	111	212	1,869
Wang Xingchun	(v)	-	-	-	-	-
Jia Xiangsen	(vi)	30	-	-	-	30
Zheng Xin	(vi)	30	-	-	-	30
Xia Zongyu	(vi)	30	-	-	-	30
Xia Taili	(vi)(vii)	-	-	-	-	-
Dai Genyou		280	-	-	-	280
Senior Managements						
Cai Huaxiang		-	1,491	109	206	1,806
Gong Chao		-	1,491	109	206	1,806
Wang Wei		-	1,491	109	206	1,806
Li Zhenjiang	(viii)	-	1,491	109	206	1,806
Zhu Gaoming	(viii)	-	839	71	66	976
Executive Directors resigned						
Jiang Chaoliang	(ix)	-	1,318	90	177	1,585
Guo Haoda	(x)	-	995	72	137	1,204
Non-executive Directors resigned						
Li Yelin	(iii)(xi)	-	-	-	-	-
Lin Damao	(iii)(xii)	-	-	-	-	-
Supervisors resigned						
Liu Hong	(xiii)	-	-	-	-	-
Zhang Jianzhong	(xiv)	30	-	-	-	30
Total		2,320	14,028	1,023	1,877	19,248

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(1) Details of the Directors', Supervisors' and Senior Managements' emoluments are as follows (in thousands of RMB) (Continued):

- (i) Liu Shiyu was elected Chairman of the Board of Directors effective 11 December 2014.
- (ii) Zhang Yun and Lou Wenlong are also the Senior Managements of the Group and their emoluments disclosed above include those for services rendered by them as the Senior Managements.
- (iii) These Non-Executive Directors of the Bank did not receive any fees from the Bank. Their emoluments were borne by the major Equity Holders of the Bank.
- (iv) Zhou Ke was elected Non-Executive Director effective 31 July 2014.
- (v) Wang Xingchun was elected Shareholder Representative Supervisor effective 23 June 2014. Wang Xingchun did not receive any emoluments for his part-time position as shareholder representative supervisor from the Bank in 2014.
- (vi) For Employee Representative Supervisors of the Bank, the amounts set forth above only included fees for their services as supervisors.
- (vii) Xia Taili was elected Supervisor representing employees of the Bank effective 2 December 2014 at the Employee Representatives Meeting.
- (viii) Li Zhenjiang ceased to be Secretary to the Board of Directors effective 27 March 2014. Zhu Gaoming was elected Secretary to the Board of Directors effective 27 March 2014.
- (ix) Jiang Chaoliang ceased to be Chairman of the Board of Directors effective 31 August 2014.
- (x) Guo Haoda ceased to be Executive Director effective 9 September 2014. In his tenure, he was also the Senior Management of the Group and his emolument disclosed above include that for service rendered by him as the Senior Management.
- (xi) Li Yelin ceased to be Non-Executive Director effective 28 July 2014.
- (xii) Lin Damao ceased to be Non-Executive Director effective 5 August 2014.
- (xiii) Liu Hong ceased to be Shareholder Representative Supervisor effective 24 April 2014. Liu Hong did not receive any emoluments for his part-time position as Shareholder Representative Supervisor from the Bank in 2014.
- (xiv) Zhang Jianzhong ceased to be Employee Representative Supervisor effective 2 December 2014.
- (xv) Other benefits in kind include the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

As of the announcement date of 2014 consolidated financial statements, the above compensation package for the Directors, Supervisors and Senior Managements for the years ended 31 December 2014 have not been finalized and the amount of remuneration of Directors, Supervisors and Senior Managements recognized in the consolidated income statement for the year of 2014 was RMB11.73 million. Supplementary announcement on final compensation of RMB19.25 million was released by the Bank on 27 August 2015. The comparative figures for the year of 2014 have been restated accordingly.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(2) Five individuals with the highest emoluments in the Group

- (i) Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above. The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 and 31 December 2014 were as follows (in thousands of RMB):

	Year ended 31 December	
	2015	2014
Basic salaries and allowance	10,075	7,435
Discretionary bonuses	8,271	7,682
Contribution to retirement benefit schemes and other	1,091	867
Total	19,437	15,984

- (ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2015	2014
RMB 2,500,000 to RMB 3,000,000 yuan	-	1
RMB 3,000,001 to RMB 3,500,000 yuan	-	3
RMB 3,500,001 to RMB 4,000,000 yuan	4	1
RMB 4,000,001 to RMB 4,500,000 yuan	1	-

(3) Other benefits and interests of Directors and Supervisors pursuant to the New Hong Kong Companies Ordinance (Cap.622)

For the year ended 31 December 2015 and 31 December 2014, no emolument was paid by the Group to any of the Directors, Supervisors, Senior Managements or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the Annuity Scheme and Pension Scheme (Note II 7 Employee Benefits), there were no other retirement benefits for Directors or Supervisors, or consideration provided to third parties for making available directors' or supervisors' services; and none of the Directors or Supervisors waived any emolument, or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the year ended 31 December 2015 and 31 December 2014.

The Group enters into credit transactions with the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors at arm's length in the ordinary course of business. For the year ended 31 December 2015 and 31 December 2014, the balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors was not significant; the Group did not provide any guarantee or security to the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loans, quasi-loans or credit transactions.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 IMPAIRMENT LOSSES ON ASSETS

	Year ended 31 December	
	2015	2014
Loans and advances to customers	81,897	65,063
Held-to-maturity investments	925	279
Debt instruments classified as receivables	841	861
Available-for-sale financial assets	78	(37)
Placements with and loans to banks and other financial institutions	(167)	1,181
Property and equipment	-	27
Other	598	597
Total	<u>84,172</u>	<u>67,971</u>

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
Current income tax		
- PRC Enterprise Income Tax	58,661	65,291
- Hong Kong Profits Tax	410	386
- Other jurisdictions	301	222
Subtotal	59,372	65,899
Deferred tax (Note IV 26)	(9,289)	(13,152)
Total	<u>50,083</u>	<u>52,747</u>

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 INCOME TAX EXPENSE (Continued)

The tax charges for the years ended 31 December 2015 and 31 December 2014 can be reconciled to the profit per the consolidated income statement as follows:

		Year ended 31 December	
		2015	2014
Profit before tax		230,857	232,257
Tax calculated at applicable PRC statutory tax rate of 25%		57,714	58,064
Tax effect of income not taxable for tax purpose	(1)	(8,962)	(7,083)
Tax effect of items such as expenses not deductible for tax purpose		1,361	1,770
Effect of different tax rates in other jurisdictions		(30)	(4)
Income tax expense		50,083	52,747

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

10 DIVIDENDS

		Year ended 31 December	
		2015	2014
Dividends on ordinary shares declared and paid			
Cash dividend related to 2014	(1)	59,113	-
Cash dividend related to 2013	(2)	-	57,489
		59,113	57,489
Dividends on preference shares declared and paid			
Cash dividend related to the first tranche of preference shares	(4)	2,400	-

- (1) Distribution of final dividend for 2014

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

The above dividend was recognized as distribution and distributed during the year ended 31 December 2015.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**10 DIVIDENDS (Continued)****(2) Distribution of final dividend for 2013**

A cash dividend of RMB0.177 per ordinary share related to 2013, amounting to RMB57,489 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2013 as determined in accordance with the PRC GAAP, at the annual general meeting held on 23 June 2014.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2014.

(3) A final dividend of RMB0.1668 per ordinary share in respect of the year ended 31 December 2015 totalling RMB54,176 million has been proposed by the directors and is subject to approval by the ordinary shareholders in the annual general meeting.**(4) Distribution of dividend on preference shares**

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 23 October 2015 and distributed on 5 November 2015.

11 EARNINGS PER SHARE

	Year ended 31 December	
	2015	2014
Earnings:		
Profit for the year attributable to equity holders of the Bank	180,582	179,461
Less: profit for the year attributable to preference shareholders of the Bank	(2,400)	-
Profit for the year attributable to ordinary shareholders of the Bank	178,182	179,461
Number of shares:		
Weighted average number of ordinary shares in issue (million)	324,794	324,794
Basic and diluted earnings per share (RMB yuan)	0.55	0.55

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 EARNINGS PER SHARE (Continued)

The Bank issued non-cumulative preference shares during the year ended 31 December 2015 and 31 December 2014, respectively, under the terms and conditions as detailed in Note IV 38 Preference Shares.

For the purpose of calculating basic earnings per share, a cash dividend of RMB2,400 million on non-cumulative preference shares declared in respect of the year of 2015 was deducted from the amounts attributable to ordinary shareholders of the Bank.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2015 and 31 December 2014, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

12 CASH AND BALANCES WITH CENTRAL BANKS

		As at 31 December	
		2015	2014
Cash		116,390	111,962
Mandatory reserve deposits with central banks	(1)	2,216,082	2,409,181
Surplus reserve deposits with central banks	(2)	58,656	49,253
Other deposits with central banks	(3)	195,929	172,669
Total		<u>2,587,057</u>	<u>2,743,065</u>

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

Effective 12 March 2015, for Domestic Operations of the Bank which meet the requirements of "Notice on Differential Mandatory Reserve Deposits for the Sannong Banking Operations of Agricultural Bank of China Limited for 2015 issued by the People's Bank of China" (Yinbanfa [2015] No. 67), as at 31 December 2015, RMB mandatory reserve deposits with the PBOC were based on 15% of qualified RMB deposits (31 December 2014: 18%). For the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits were based on 17% of qualified RMB deposits (31 December 2014: 20%). Foreign currency mandatory reserve deposits were based on 5% (31 December 2014: 5%) of qualified foreign currency deposits from customers. Mandatory reserve deposits placed by the Bank's Overseas Operations were determined based on respective overseas regulatory requirements. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

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

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2015	2014
Deposits with:		
Domestic banks	656,601	543,394
Other domestic financial institutions	2,748	2,021
Overseas banks	38,581	27,390
Gross amount	697,930	572,805
Allowance for impairment losses - collectively assessed	(7)	-
Deposits with Banks and other financial institutions, net	697,923	572,805

As at 31 December 2015, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB3,240 million (31 December 2014: RMB1,833 million). These deposits were mainly security deposits pledged with exchanges.

14 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2015	2014
Placements with and loans to:		
Domestic banks	129,493	124,060
Other domestic financial institutions	324,620	267,358
Overseas banks	51,743	17,400
Gross amount	505,856	408,818
Allowance for impairment losses - collectively assessed	(1,604)	(1,756)
Placements with and loans to banks and other financial institutions, net	504,252	407,062

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 FINANCIAL ASSETS HELD FOR TRADING

		As at 31 December	
		2015	2014
Debt securities issued by:			
Governments		4,464	3,545
Public sector and quasi-governments		23,754	23,445
Financial institutions		26,793	1,112
Corporates		10,039	12,708
Subtotal		65,050	40,810
Precious metal contracts		14,732	17,615
Total		79,782	58,425
Analyzed as:			
Listed outside Hong Kong	(1)	65,050	40,632
Unlisted		14,732	17,793
Total		79,782	58,425

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

16 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 31 December	
		2015	2014
Debt securities issued by:			
Governments		17,031	11,235
Public sector and quasi-governments		55,099	25,278
Financial institutions		22,063	2,899
Corporates		12,040	6,681
Subtotal		106,233	46,093
Interests in trust products	(1)	201,583	248,794
Other debt instruments	(1)	47,714	59,876
Equity instruments		3,949	1,472
Total		359,479	356,235
Analyzed as:			
Listed in Hong Kong		1,871	816
Listed outside Hong Kong	(2)	75,656	31,963
Unlisted		281,952	323,456
Total		359,479	356,235

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (1) Underlying assets of the trust products and other debt instruments held by the Group mainly include credit assets, deposits with domestic banks and other domestic financial institutions and debt securities. The trust products and other debt instruments have been disclosed in Note IV 46 Structured Entities.
- (2) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

17 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 consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. As at 31 December 2015 and 31 December 2014, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group. The Group did not elect to settle these financial assets and financial liabilities on a net basis. The Group does not hold any other financial instruments, other than derivatives, that are subject to master netting arrangements or similar agreements.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

	31 December 2015		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,307,952	13,737	(11,102)
Currency options	22,704	134	(92)
Subtotal		13,871	(11,194)
Interest rate derivatives			
Interest rate swaps	158,118	920	(961)
Precious metal contracts	32,049	1,247	(37)
Total derivative financial assets and liabilities		16,038	(12,192)
31 December 2014			
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	828,028	5,746	(6,167)
Currency options	33,112	72	(79)
Subtotal		5,818	(6,246)
Interest rate derivatives			
Interest rate swaps	166,002	795	(936)
Precious metal contracts	12,732	561	(58)
Others	55	21	-
Total derivatives financial assets and liabilities		7,195	(7,240)

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 31 December 2015 and 31 December 2014, the credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings - Based approach as disclosed in Note IV 50 Capital Management.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

	As at 31 December	
	2015	2014
Credit risk weighted amount for counterparty	19,364	12,576

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2015	2014
Analyzed by collateral type:		
Debt securities	179,068	209,160
Bills	292,741	300,258
Total	471,809	509,418

The collateral received in connection with financial assets under resale agreement is disclosed in Note IV 47 Contingent Liabilities and Commitments - Collateral.

19 LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	As at 31 December	
	2015	2014
Corporate loans and advances		
Loans and advances	5,818,306	5,516,854
Discounted bills	356,995	180,229
Subtotal	6,175,301	5,697,083
Personal loans and advances	2,734,617	2,400,984
Gross loans and advances	8,909,918	8,098,067
Allowance for impairment losses		
Individually assessed	(133,900)	(73,094)
Collectively assessed	(269,343)	(284,977)
Total allowance for impairment losses	(403,243)	(358,071)
Loans and advances to customers, net	8,506,675	7,739,996

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	<u>Identified impaired loans and advances (2)</u>					
	Loans and advances for which allowance is collectively assessed (1)	For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total	Identified impaired gross loans and advances as a % of total gross loans and advances
31 December 2015						
Gross loans and advances	8,697,051	31,889	180,978	212,867	8,909,918	2.39
Allowance for impairment losses	(247,294)	(22,049)	(133,900)	(155,949)	(403,243)	
Loans and advances to customers, net	<u>8,449,757</u>	<u>9,840</u>	<u>47,078</u>	<u>56,918</u>	<u>8,506,675</u>	
31 December 2014						
Gross loans and advances	7,973,097	21,063	103,907	124,970	8,098,067	1.54
Allowance for impairment losses	(270,386)	(14,591)	(73,094)	(87,685)	(358,071)	
Loans and advances to customers, net	<u>7,702,711</u>	<u>6,472</u>	<u>30,813</u>	<u>37,285</u>	<u>7,739,996</u>	

- (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).

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

	Year ended 31 December 2014		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2014	50,127	272,064	322,191
Impairment allowance on loans charged	58,579	59,031	117,610
Reversal of impairment allowance	(9,976)	(42,571)	(52,547)
Net additions	48,603	16,460	65,063
Write-offs and transfer out	(25,772)	(3,450)	(29,222)
Recovery of loans and advances written off in previous years	921	220	1,141
Unwinding of discount on allowance	(688)	(314)	(1,002)
Exchange difference	(97)	(3)	(100)
31 December 2014	73,094	284,977	358,071

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		As at 31 December	
		2015	2014
Debt securities issued by:			
Governments		333,537	147,513
Public sector and quasi-governments		465,630	449,232
Financial institutions		176,548	138,698
Corporates		226,882	186,574
Subtotal		1,202,597	922,017
Fund investments	(1)	6,586	3,358
Equity instruments	(1)	5,359	2,528
Total		1,214,542	927,903
Analyzed as:			
Debt securities			
Listed in Hong Kong		41,923	19,163
Listed outside Hong Kong	(2)	1,148,771	892,466
Unlisted		11,903	10,388
Equity instruments and fund investments			
Listed in Hong Kong		396	79
Listed outside Hong Kong		7,687	4,307
Unlisted	(3)	3,862	1,500
Total		1,214,542	927,903

(1) The Group's available-for-sale fund investments and certain equity instruments have been disclosed in Note IV 46 Structured Entities.

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

(3) As at 31 December 2015, unlisted equity instruments of the Group amounted to RMB314 million was measured at cost because their fair value cannot be reliably measured (31 December 2014: RMB284 million).

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 HELD-TO-MATURITY INVESTMENTS

	As at 31 December	
	2015	2014
Debt securities issued by:		
Governments	852,367	548,330
Public sector and quasi-governments	1,061,581	936,274
Financial institutions	202,729	67,878
Corporates	185,967	159,349
Gross amount	2,302,644	1,711,831
Allowance for impairment losses - collectively assessed	(1,820)	(881)
Held-to-maturity investments, net	2,300,824	1,710,950
Analyzed as:		
Listed in Hong Kong	6,221	1,381
Listed outside Hong Kong (1)	2,278,021	1,700,044
Unlisted	16,582	9,525
Total	2,300,824	1,710,950

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

22 DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

	As at 31 December	
	2015	2014
Receivable from the MOF (1)	272,023	278,314
Special government bond (2)	93,300	93,300
Government bonds	42,841	-
Public sector and quasi-government bonds	39,786	56,141
Financial institution bonds	57,339	45,334
Corporate bonds	32,514	35,020
Certificate treasury bonds and savings treasury bonds	2,929	3,590
Others (3)	18,733	11,621
Gross amount, unlisted	559,465	523,320
Allowance for impairment losses		
Individually assessed	(1,470)	(478)
Collectively assessed	(575)	(725)
Total allowance for impairment losses	(2,045)	(1,203)
Debt instruments classified as receivables, net	557,420	522,117

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 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 annually over a tentative period of 15 years starting from 1 January 2008 and bears interest at the rate of 3.3% per annum.
- (2) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregate principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.
- (3) Other debt instruments classified as receivables are primarily related to investment in unconsolidated structured entities held by the Group as disclosed in Note IV 46 Structured Entities.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 INVESTMENT IN SUBSIDIARIES

(1) The following are the principal subsidiaries of the Bank as at 31 December 2015:

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	RMB2,032,653,061	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB1,400,000,000	100.00	100.00	Banking

During the year ended 31 December 2015, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 INVESTMENT IN SUBSIDIARIES (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 this entity and has included it 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., and the Group recognized goodwill of RMB1,381 million as a result of this acquisition. For the year ended 31 December 2015, there was no objective evidence noted for any goodwill impairment.
- (2) In addition, the Group also consolidated structured entities, principally consist of Wealth Management Product (“WMP”) Vehicles sponsored and distributed by the Group whereby the Group has guaranteed principal investments and special purpose trusts founded by third party trust companies for asset backed securities issued by the Group (Note IV 46 Structured Entities). The Group controls these entities because the Group is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect returns through its power over these entities.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 INVESTMENT IN ASSOCIATE

	31 December 2015	31 December 2014
Carrying amount	273	-

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

25 PROPERTY AND EQUIPMENT

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2014	124,294	55,314	4,746	28,682	213,036
Additions	1,526	7,703	604	13,263	23,096
Transfers	17,569	491	-	(18,060)	-
Disposals	(594)	(7,460)	(536)	-	(8,590)
31 December 2014	142,795	56,048	4,814	23,885	227,542
Accumulated depreciation					
1 January 2014	(31,529)	(27,400)	(2,947)	-	(61,876)
Charge for the year	(7,574)	(8,723)	(318)	-	(16,615)
Eliminated on disposals	370	5,335	512	-	6,217
31 December 2014	(38,733)	(30,788)	(2,753)	-	(72,274)
Allowance for impairment losses					
1 January 2014	(288)	(10)	(2)	(1)	(301)
Impairment loss	(20)	-	-	(7)	(27)
Eliminated on disposals	9	1	-	-	10
31 December 2014	(299)	(9)	(2)	(8)	(318)
Carrying value					
31 December 2014	103,763	25,251	2,059	23,877	154,950
1 January 2014	92,477	27,904	1,797	28,681	150,859

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 31 December 2015, 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 DEFERRED TAXATION

For the purpose of presentation in the consolidated 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:

	As at 31 December	
	2015	2014
Deferred tax assets	81,548	78,640
Deferred tax liabilities	(111)	(43)
Net	<u>81,437</u>	<u>78,597</u>

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

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments, net	Others	Total
1 January 2015	67,514	6,248	2,235	3,476	(900)	24	78,597
Credit/(charge) to the consolidated income statement	9,671	193	(304)	945	(1,258)	42	9,289
Charge to other comprehensive income	-	-	-	-	(6,449)	-	(6,449)
31 December 2015	<u>77,185</u>	<u>6,441</u>	<u>1,931</u>	<u>4,421</u>	<u>(8,607)</u>	<u>66</u>	<u>81,437</u>

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments, net	Others	Total
1 January 2014	56,137	6,165	2,589	1,181	8,011	(16)	74,067
Credit/(charge) to the consolidated income statement	11,377	83	(354)	2,295	(289)	40	13,152
Credit to other comprehensive income	-	-	-	-	(8,622)	-	(8,622)
31 December 2014	<u>67,514</u>	<u>6,248</u>	<u>2,235</u>	<u>3,476</u>	<u>(900)</u>	<u>24</u>	<u>78,597</u>

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 DEFERRED TAXATION (Continued)

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

	31 December 2015		31 December 2014	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	308,741	77,185	270,124	67,514
Fair value changes of financial instruments	15,703	3,926	10,404	2,601
Accrued but not paid staff cost	25,765	6,441	24,992	6,248
Early retirement benefits	7,724	1,931	8,938	2,235
Provision	17,682	4,421	13,902	3,476
Others	392	97	228	57
Subtotal	376,007	94,001	328,588	82,131
Deferred tax liabilities				
Fair value changes of financial instruments	(50,130)	(12,533)	(14,006)	(3,501)
Others	(125)	(31)	(140)	(33)
Subtotal	(50,255)	(12,564)	(14,146)	(3,534)
Net	325,752	81,437	314,442	78,597

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 OTHER ASSETS

		As at 31 December	
		2015	2014
Interest receivable		104,775	97,948
Land use rights	(1)	23,036	23,524
Accounts receivable and temporary payments	(2)	44,576	16,708
Premiums receivable and reinsurance assets		27,001	13,532
Long-term deferred expenses		3,587	3,649
Investment property		2,997	2,846
Intangible assets		2,740	2,593
Foreclosed assets		1,699	487
Others		4,892	2,535
Total		<u>215,303</u>	<u>163,822</u>

(1) Land use rights

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 31 December 2015, 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.

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

28 BORROWINGS FROM CENTRAL BANK

As at 31 December 2015, borrowings from central bank mainly include Medium-term Lending Facilities from PBOC amounting to RMB58,600 million(31 December 2014: RMB80, 000 million).

29 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

		As at 31 December	
		2015	2014
Deposits from:			
Domestic banks		116,519	148,043
Other domestic financial institutions		1,091,258	666,905
Overseas banks		9,514	13,045
Other overseas financial institutions		4,610	3,148
Total		<u>1,221,901</u>	<u>831,141</u>

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2015	2014
Placements from:		
Domestic banks and other financial institutions	145,255	62,537
Overseas banks and other financial institutions	170,504	162,386
Total	315,759	224,923

31 FINANCIAL LIABILITIES HELD FOR TRADING

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

32 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2015	2014
Principal guaranteed wealth management products	406,407	347,282

The Group designates wealth management products with principal guaranteed by the Group as financial liabilities at fair value through profit or loss. The corresponding investments are designated as financial assets at fair value through profit or loss. As at 31 December 2015 and 31 December 2014, 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 current and prior year, 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.

33 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2015	2014
Analyzed by type of collateral:		
Debt securities	88,333	131,021
Bills	471	-
Total	88,804	131,021

The collateral pledged under repurchase agreement is disclosed in Note IV 47 Contingent Liabilities and Commitments - Collateral.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 DUE TO CUSTOMERS

		As at 31 December	
		2015	2014
Demand deposits			
Corporate customers		3,229,703	3,012,527
Individual customers		3,898,806	3,546,541
Time deposits			
Corporate customers		1,662,658	1,485,274
Individual customers		4,174,684	3,882,102
Pledged deposits	(1)	319,757	299,437
Others		252,752	307,516
Total		<u>13,538,360</u>	<u>12,533,397</u>

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

		As at 31 December	
		2015	2014
Bank acceptance		113,421	118,330
Trade finance		77,903	50,423
Guarantee and letters of guarantee		66,093	63,630
Letters of credit		16,739	21,567
Others		45,601	45,487
Total		<u>319,757</u>	<u>299,437</u>

35 DEBT SECURITIES ISSUED

		As at 31 December	
		2015	2014
Bonds issued	(1)	198,476	191,994
Certificates of deposit issued	(2)	165,508	113,388
Commercial papers issued	(3)	11,586	11,800
Interbank certificates of deposit issued	(4)	7,172	7,985
Total		<u>382,742</u>	<u>325,167</u>

As at 31 December 2015 and 31 December 2014, there was no default related to any debt securities issued.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 DEBT SECURITIES ISSUED (Continued)

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

		As at 31 December	
		2015	2014
4.15% RMB fixed rate Green Bonds maturing in October 2017	(i)	600	-
2.125% USD fixed rate Green Bonds maturing in October 2018	(ii)	2,597	-
4.0% subordinated fixed rate bonds maturing in May 2024	(iii)	25,000	25,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(iv)	30,000	30,000
2.75% USD fixed rate Green Bonds maturing in October 2020	(v)	3,247	-
5.3% subordinated fixed rate bonds maturing in June 2026	(vi)	50,000	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(vii)	50,000	50,000
3.2% fixed rate RMB bonds maturing in November 2015	(viii)	-	1,000
Medium term notes issued	(ix)	37,164	36,125
Total nominal value		198,608	192,125
Less: Unamortized issuance cost and discounts		(132)	(131)
Carrying value		198,476	191,994

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 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 will 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.
- (viii) The RMB bonds issued in Hong Kong in November 2012 have a tenor of 3 years, with a fixed coupon rate 3.2%, payable semi-annually. These bonds matured in 2015.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 DEBT SECURITIES ISSUED (Continued)

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

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

As at 31 December 2014			
	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate USD MTNs	January 2015 to December 2018	0.21-2.875	18,774
Fixed rate RMB MTNs	February 2015 to August 2019	2.70-3.80	11,683
Fixed rate CHF MTNs	July 2015 to August 2015	0.85-1.00	1,743
Floating rate USD MTNs	April 2015 to March 2017	3-month USD LIBOR plus 0.88 to 1.35	1,626
Fixed rate EUR MTNs	August 2015 to September 2015	0.99-1.12	895
Fixed rate HKD MTNs	May 2015 to August 2015	1.35-1.49	600
Fixed rate JPY MTN	August 2015 to November 2015	0.50-0.70	431
Zero coupon EUR MTN	January 2015	-	373
Total			<u>36,125</u>

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 DEBT SECURITIES ISSUED (Continued)

- (2) As at 31 December 2015, 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 range from seven days to seven years, with interest rates ranging from 0% to 4.5%. As at 31 December 2014, the terms range from nine days to seven years with interest rates ranging from 0% to 4.20%.
- (3) As at 31 December 2015, the commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the commercial papers range from seven days to one year, with interest rates ranging from 0% to 1.05 %. As at 31 December 2014, the terms range from seven days to one year, with interest rates ranging from 0.19% to 0.93%.
- (4) As at 31 December 2015, the interbank certificates of deposit were issued by the Bank's Head Office and Shanghai Branch in the free trade area. The terms of the interbank certificates of deposit range from three months to two years, with interest rates ranging from 0% to 3.32%. As at 31 December 2014, the terms ranging from three months to one year with interest rates ranging from 0% to 4.76%.

36 OTHER LIABILITIES

		As at 31 December	
		2015	2014
Interest payable		225,383	192,876
Insurance liabilities		69,589	42,789
Clearing and settlement		69,419	46,433
Staff costs payable	(1)	39,890	40,511
Income taxes payable		38,097	41,338
Provision		17,682	13,902
Amount payable to the MOF	(2)	7,330	3,275
Business and other taxes payable		7,117	7,535
Dormant accounts		1,576	1,616
Others		52,514	45,712
Total		528,597	435,987

- (1) Staff costs payable

		As at 31 December	
		2015	2014
Short-term employee benefits	(i)	31,721	30,952
Defined contribution benefits	(ii)	445	621
Early retirement benefits	(iii)	7,724	8,938
Total		39,890	40,511

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits

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

		2014			
		1 January	Accrued	Paid	31 December
Salaries, bonuses,					
allowance and subsidies	(a)	24,973	66,780	(67,525)	24,228
Housing funds	(a)	245	8,186	(8,248)	183
Social insurance including:	(a)	181	4,454	(4,457)	178
- Medical insurance		149	3,848	(3,843)	154
- Employment injury insurance		16	278	(282)	12
- Maternity insurance		16	328	(332)	12
Labor union fees and staff					
education expenses		2,726	2,977	(2,520)	3,183
Others		6,389	12,825	(16,034)	3,180
Total		34,514	95,222	(98,784)	30,952

(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.

AGRICULTURAL BANK OF CHINA LIMITED

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

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

	2014			
	1 January	Accrued	Paid	31 December
Basic pensions	629	10,695	(10,783)	541
Unemployment insurance	65	804	(803)	66
Annuity Scheme	9	3,137	(3,132)	14
Total	703	14,636	(14,718)	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

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

	2014			
	1 January	Accrued	Paid	31 December
Early retirement benefits	10,356	1,611	(3,029)	8,938

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**36 OTHER LIABILITIES (Continued)****(1) Staff costs payable (Continued)****(iii) Early retirement benefits (Continued)**

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

	As at 31 December	
	2015	2014
Discount rate	2.57%	3.41%
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 consolidated income statement.

(2) Amount payable to the MOF

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

37 ORDINARY SHARES

For the current and prior year, there was no change in the Bank's ordinary share capital.

	As at 31 December 2015 and 2014	
	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	<u>324,794</u>	<u>324,794</u>

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

As at 31 December 2015, all of the Bank's A Shares and H Shares were not subject to lock-up restriction (31 December 2014: 9,892 million A Shares and none of the H Shares were subject to lock-up restriction).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 PREFERENCE SHARES

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

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

The first tranche of 400 million preference shares were issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 31 December 2015. The first tranche preference shares bear a dividend rate of 6% per annum, dividends are non-cumulative and where payable, is paid annually, for the first five years from issuance. The dividend rate will be repriced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%.

The second tranche of 400 million preference shares were issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 31 December 2015. The second tranche preference shares bear a dividend rate of 5.5% per annum, dividends are non-cumulative and where payable, is paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%.

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

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

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

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 PREFERENCE SHARES (Continued)

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 formulas provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

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

39 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.

40 INVESTMENT REVALUATION RESERVE

	2015		
	Gross amount	Tax effect	Net effect
1 January 2015	4,176	(1,058)	3,118
Fair value changes on available-for-sale financial assets			
- Amount of gains/(losses) recognized directly in other comprehensive income	26,218	(6,542)	19,676
- Amount removed from other comprehensive income and recognized in profit or loss	(487)	122	(365)
31 December 2015	29,907	(7,478)	22,429
	2014		
	Gross amount	Tax effect	Net effect
1 January 2014	(30,313)	7,541	(22,772)
Fair value changes on available-for-sale financial assets			
- Amount of gains/(losses) recognized directly in other comprehensive income	34,722	(8,657)	26,065
- Amount removed from other comprehensive income and recognized in profit or loss	(233)	58	(175)
31 December 2014	4,176	(1,058)	3,118

AGRICULTURAL BANK OF CHINA LIMITED

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 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. Pursuant to the resolution of the Board of Directors' Meeting held on 31 March 2016, an appropriation of 10% of the profit for the current year, determined under the generally accepted accounting principles of the PRC, to the statutory surplus reserve, in the amount of RMB18,078 million (2014: RMB17,894 million) was approved. 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.

42 GENERAL RESERVE

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

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

During the year ended 31 December 2015, the Group transferred RMB18,899 million (2014: RMB17,503 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB18,721 million (2014: RMB17,330 million) related to the appropriation proposed for the year ended 31 December 2014 which was approved in the annual general meeting held on 29 June 2015.

43 CASH AND CASH EQUIVALENTS

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

	As at 31 December	
	2015	2014
Cash	116,390	111,962
Balance with central banks	90,035	76,525
Deposits with banks and other financial institutions	128,173	68,355
Placements with and loans to banks and other financial institutions	234,139	197,151
Financial assets held under resale agreements	253,232	284,248
Total	821,969	738,241

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 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 consolidated 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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the year ended 31 December 2015	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	233,765	116,679	73,291	83,188	67,071	113,792	20,485	17,522	-	725,793
External interest expense	(19,204)	(64,711)	(34,978)	(53,948)	(43,216)	(49,637)	(15,026)	(8,933)	-	(289,653)
Inter-segment interest (expense)/income	(178,365)	36,616	21,233	43,284	35,342	30,231	11,223	436	-	-
Net interest income	36,196	88,584	59,546	72,524	59,197	94,386	16,682	9,025	-	436,140
Fee and commission income	17,535	16,759	12,920	11,909	10,234	16,492	3,615	1,030	-	90,494
Fee and commission expense	(757)	(1,545)	(1,443)	(1,033)	(1,293)	(1,459)	(322)	(93)	-	(7,945)
Net fee and commission income	16,778	15,214	11,477	10,876	8,941	15,033	3,293	937	-	82,549
Net trading gain	2,196	58	121	80	88	134	71	814	-	3,562
Net gain/(loss) on financial instruments designated at fair value through profit or loss	1,483	102	41	146	-	(2)	-	(43)	-	1,727
Net gain on investment securities	96	-	-	-	-	-	-	761	-	857
Other operating income	2,172	1,127	895	593	576	3,800	196	6,668	-	16,027
Operating income	58,921	105,085	72,080	84,219	68,802	113,351	20,242	18,162	-	540,862
Operating expenses	(9,677)	(37,801)	(26,731)	(34,694)	(34,793)	(55,435)	(15,113)	(11,574)	-	(225,818)
Impairment losses on assets	(2,075)	(27,785)	(12,493)	(12,113)	(5,983)	(24,435)	1,875	(1,163)	-	(84,172)
Operating profit	47,169	39,499	32,856	37,412	28,026	33,481	7,004	5,425	-	230,872
Share of results of associates	(15)	-	-	-	-	-	-	-	-	(15)
Profit before tax	47,154	39,499	32,856	37,412	28,026	33,481	7,004	5,425	-	230,857
Income tax expense	-	-	-	-	-	-	-	-	-	(50,083)
Profit for the year	-	-	-	-	-	-	-	-	-	180,774
Depreciation and amortization included in operating expenses	1,847	3,186	2,235	3,035	3,391	4,397	1,370	172	-	19,633
Capital expenditure	2,338	1,880	2,029	3,889	3,445	5,196	1,316	1,340	-	21,433
As at 31 December 2015										
Segment assets	4,432,038	3,696,692	2,282,608	3,255,511	2,542,695	3,586,925	838,650	782,258	(3,707,532)	17,709,845
Including: Investment in associate	273	-	-	-	-	-	-	-	-	273
Unallocated assets	-	-	-	-	-	-	-	-	-	81,548
Total assets	-	-	-	-	-	-	-	-	-	17,791,393
Include: non-current assets (1)	12,860	33,596	18,713	30,663	29,523	43,005	12,423	9,409	-	190,192
Segment liabilities	(3,299,014)	(3,699,920)	(2,275,314)	(3,251,913)	(2,530,704)	(3,593,727)	(835,551)	(762,690)	3,707,532	(16,541,301)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	(38,207)
Total liabilities	-	-	-	-	-	-	-	-	-	(16,579,508)
Credit commitments	29,972	440,928	199,864	306,640	155,778	226,098	65,815	58,619	-	1,483,714

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the year ended 31 December 2014	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	195,050	120,056	79,418	87,736	67,622	113,607	20,717	15,083	-	699,289
External interest expense	(17,947)	(59,107)	(33,242)	(50,234)	(39,903)	(46,172)	(14,182)	(8,611)	-	(269,398)
Inter-segment interest (expense)/income	(134,867)	24,333	11,247	33,126	29,229	27,096	9,455	381	-	-
Net interest income	42,236	85,282	57,423	70,628	56,948	94,531	15,990	6,853	-	429,891
Fee and commission income	12,679	17,100	12,959	12,321	11,849	16,651	3,350	974	-	87,883
Fee and commission expense	(517)	(1,542)	(1,468)	(1,146)	(1,269)	(1,427)	(346)	(45)	-	(7,760)
Net fee and commission income	12,162	15,558	11,491	11,175	10,580	15,224	3,004	929	-	80,123
Net trading gain/(loss)	3,196	133	104	77	93	256	83	(2,034)	-	1,908
Net gain/(loss) on financial instruments designated at fair value through profit or loss	1,383	22	54	91	-	(1)	-	(44)	-	1,505
Net (loss)/gain on investment securities	(12)	-	-	-	-	-	-	347	-	335
Other operating (expenses)/income	(435)	1,018	613	755	402	2,458	142	5,411	-	10,364
Operating income	58,530	102,013	69,685	82,726	68,023	112,468	19,219	11,462	-	524,126
Operating expenses	(11,598)	(39,131)	(28,276)	(35,222)	(35,454)	(52,093)	(15,371)	(6,753)	-	(223,898)
Impairment losses on assets	(2,569)	(18,152)	(10,182)	(16,826)	(7,285)	(12,872)	464	(549)	-	(67,971)
Profit before tax	44,363	44,730	31,227	30,678	25,284	47,503	4,312	4,160	-	232,257
Income tax expense										(52,747)
Profit for the year										179,510
Depreciation and amortization included in operating expenses	1,639	3,171	2,289	2,921	3,374	4,362	1,428	144	-	19,328
Capital expenditure	1,610	3,333	2,961	3,943	3,967	7,051	1,617	1,378	-	25,860
As at 31 December 2014										
Segment assets	4,211,552	3,147,375	1,928,364	2,629,880	2,276,362	3,152,220	743,602	590,362	(2,784,205)	15,895,512
Unallocated assets										78,640
Total assets										15,974,152
Include: non-current assets (1)	10,481	36,833	18,919	29,870	29,437	42,106	12,531	8,766	-	188,943
Segment liabilities	(3,254,625)	(3,143,950)	(1,923,067)	(2,627,471)	(2,267,258)	(3,145,053)	(745,298)	(577,635)	2,784,205	(14,900,152)
Unallocated liabilities										(41,381)
Total liabilities										(14,941,533)
Credit commitments	32,555	457,653	211,896	345,025	172,803	263,993	60,369	38,431	-	1,582,725

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2015					
External interest income	349,680	145,375	226,730	4,008	725,793
External interest expense	(98,642)	(168,061)	(21,541)	(1,409)	(289,653)
Inter-segment interest (expense)/ income	(19,707)	176,040	(156,333)	-	-
Net interest income	231,331	153,354	48,856	2,599	436,140
Fee and commission income	43,764	45,529	-	1,201	90,494
Fee and commission expense	(2,352)	(5,528)	-	(65)	(7,945)
Net fee and commission income	41,412	40,001	-	1,136	82,549
Net trading gain/(loss)	-	-	3,602	(40)	3,562
Net gain on financial instruments designated at fair value through profit or loss	66	1,318	299	44	1,727
Net gain on investment securities	-	-	103	754	857
Other operating income	2,587	2,006	2,896	8,538	16,027
Operating income	275,396	196,679	55,756	13,031	540,862
Operating expenses	(92,867)	(96,439)	(25,010)	(11,502)	(225,818)
Impairment losses on assets	(79,500)	(1,924)	(1,708)	(1,040)	(84,172)
Operating profit	103,029	98,316	29,038	489	230,872
Share of results of associates	-	-	-	(15)	(15)
Profit before tax	103,029	98,316	29,038	474	230,857
Income tax expense					(50,083)
Profit for the year					180,774
Depreciation and amortization included in operating expenses	3,785	11,460	4,281	107	19,633
Capital expenditure	3,950	11,958	4,467	1,058	21,433
At 31 December 2015					
Segment assets	6,086,284	3,181,175	8,300,506	141,880	17,709,845
Including: Investment in associate	-	-	-	273	273
Unallocated assets					81,548
Total assets					17,791,393
Segment liabilities	(6,155,984)	(9,232,539)	(1,024,999)	(127,779)	(16,541,301)
Unallocated liabilities					(38,207)
Total liabilities					(16,579,508)
Credit commitments	1,148,227	335,487	-	-	1,483,714

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2014					
External interest income	351,644	138,133	205,715	3,797	699,289
External interest expense	(93,897)	(152,025)	(21,908)	(1,568)	(269,398)
Inter-segment interest (expense)/ income	(22,285)	166,724	(144,439)	-	-
Net interest income	235,462	152,832	39,368	2,229	429,891
Fee and commission income	45,921	40,857	23	1,082	87,883
Fee and commission expense	(2,478)	(5,240)	(2)	(40)	(7,760)
Net fee and commission income	43,443	35,617	21	1,042	80,123
Net trading gain	-	-	1,818	90	1,908
Net gain/(loss) on financial instruments designated at fair value through profit or loss	-	-	1,524	(19)	1,505
Net (loss)/gain on investment securities	-	-	(8)	343	335
Other operating income	1,796	1,427	2,963	4,178	10,364
Operating income	280,701	189,876	45,686	7,863	524,126
Operating expenses	(100,065)	(97,354)	(20,086)	(6,393)	(223,898)
Impairment losses on assets	(56,215)	(9,491)	(1,850)	(415)	(67,971)
Profit before tax	124,421	83,031	23,750	1,055	232,257
Income tax expense					(52,747)
Profit for the year					179,510
Depreciation and amortization included in operating expenses	4,139	11,223	3,885	81	19,328
Capital expenditure	5,555	15,065	5,214	26	25,860
At 31 December 2014					
Segment assets	5,571,140	2,826,973	7,388,768	108,631	15,895,512
Unallocated assets					78,640
Total assets					15,974,152
Segment liabilities	(5,621,221)	(8,214,892)	(968,350)	(95,689)	(14,900,152)
Unallocated liabilities					(41,381)
Total liabilities					(14,941,533)
Credit commitments	1,252,331	330,394	-	-	1,582,725

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 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 Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2015				
External interest income	166,863	558,930	-	725,793
External interest expense	(100,263)	(189,390)	-	(289,653)
Inter-segment interest income/(expense)	101,332	(101,332)	-	-
Net interest income	167,932	268,208	-	436,140
Fee and commission income	31,289	59,205	-	90,494
Fee and commission expense	(3,098)	(4,847)	-	(7,945)
Net fee and commission income	28,191	54,358	-	82,549
Net trading gain	210	3,352	-	3,562
Net gain on financial instruments designated at fair value through profit or loss	63	1,664	-	1,727
Net gain on investment securities	-	857	-	857
Other operating income	4,483	11,544	-	16,027
Operating income	200,879	339,983	-	540,862
Operating expenses	(91,828)	(133,990)	-	(225,818)
Impairment losses on assets	(33,649)	(50,523)	-	(84,172)
Operating profit	75,402	155,470	-	230,872
Share of results of associates	-	(15)	-	(15)
Profit before tax	75,402	155,455	-	230,857
Income tax expense				(50,083)
Profit for the year				180,774
Depreciation and amortization included in operating expenses	9,036	10,597	-	19,633
Capital expenditure	8,896	12,537	-	21,433
At 31 December 2015				
Segment assets	6,379,322	11,432,038	(101,515)	17,709,845
Including: Investment in associate	-	273	-	273
Unallocated assets				81,548
Total assets				17,791,393
Segment liabilities	(5,992,911)	(10,649,905)	101,515	(16,541,301)
Unallocated liabilities				(38,207)
Total liabilities				(16,579,508)
Credit commitments	301,417	1,182,297	-	1,483,714

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2014				
External interest income	166,526	532,763	-	699,289
External interest expense	(93,707)	(175,691)	-	(269,398)
Inter-segment interest income/(expense)	94,083	(94,083)	-	-
Net interest income	166,902	262,989	-	429,891
Fee and commission income	31,348	56,535	-	87,883
Fee and commission expense	(3,152)	(4,608)	-	(7,760)
Net fee and commission income	28,196	51,927	-	80,123
Net trading gain	222	1,686	-	1,908
Net gain on financial instruments designated at fair value through profit or loss	39	1,466	-	1,505
Net gain on investment securities	-	335	-	335
Other operating income	2,719	7,645	-	10,364
Operating income	198,078	326,048	-	524,126
Operating expenses	(93,018)	(130,880)	-	(223,898)
Impairment losses on assets	(28,240)	(39,731)	-	(67,971)
Profit before tax	76,820	155,437	-	232,257
Income tax expense				(52,747)
Profit for the year				179,510
Depreciation and amortization included in operating expenses	8,865	10,463	-	19,328
Capital expenditure	8,210	17,650	-	25,860
At 31 December 2014				
Segment assets	5,841,613	10,136,691	(82,792)	15,895,512
Unallocated assets				78,640
Total assets				15,974,152
Segment liabilities	(5,509,147)	(9,473,797)	82,792	(14,900,152)
Unallocated liabilities				(41,381)
Total liabilities				(14,941,533)
Credit commitments	323,296	1,259,429	-	1,582,725

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 31 December 2015, the MOF directly owned 39.21% (31 December 2014: 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:

	As at 31 December	
	2015	2014
Assets		
Treasury bonds and special government bond	656,427	734,578
Receivable from the MOF (Note IV 22)	272,023	278,314
Interest receivable		
- treasury bonds and special government bond	7,734	9,366
- receivable from the MOF	25	26
Accounts receivable and temporary payments	3,665	272
Liabilities		
Amount payable to the MOF (Note IV 36)	7,330	3,275
Customer deposits	10,309	10,613
Interest payable	12	10
Other liability		
- redemption of treasury bonds on behalf of the MOF	103	105
	2015	2014
Year ended 31 December		
Interest income	41,987	38,623
Interest expense	(126)	(82)
Fee and commission income	7,948	7,430

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

	Year ended 31 December	
	2015	2014
	%	%
Treasury bonds and receivable from the MOF	1.94 - 9.00	1.85 - 9.00
Customer deposits	0.01 - 3.06	0.01 - 3.25

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note IV 47 Contingent Liabilities and Commitments.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

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

As at 31 December 2015, Huijin directly owned 40.03% (31 December 2014: 40.28%) 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:

	As at 31 December	
	2015	2014
Assets		
Investment in debt securities	12,137	11,244
Interest receivable	145	134
Liabilities		
Principal guaranteed wealth management products issued by the Bank	20,500	-
Customer deposits	8,001	3,829
Interest payable	537	-
	Year ended 31 December	2014
	2015	2014
Interest income	391	429
Interest expense	(956)	(177)

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

	Year ended 31 December	
	2015	2014
	%	%
Investment in debt securities	3.16 - 4.20	3.14 - 4.20
Principal guaranteed wealth management products issued by the Bank	4.35 - 5.00	-
Customer deposits	0.72 - 2.80	0.72 - 3.30

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 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:

	As at 31 December	
	2015	2014
Assets		
Investment securities	817,653	769,490
Deposits with banks and other financial institutions	76,061	40,060
Placements with and loans to banks and other financial institutions	62,752	92,797
Derivative financial assets	1,111	451
Financial assets held under resale agreements	33,134	39,363
Loans and advances to customers	20,358	4,219
Liabilities		
Deposits from banks and other financial institutions	63,087	30,342
Placements from banks and other financial institutions	73,087	44,965
Derivative financial liabilities	1,444	465
Financial assets sold under repurchase agreements	83,000	110,300
Customer deposits	-	1,000
Equity		
Preference shares	2,000	200
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	15,700	300

(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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 RELATED PARTY TRANSACTIONS (Continued)

(4) The Bank and its subsidiaries

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

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

(5) The Group and its associate

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

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

(6) Key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2015 and 31 December 2014, the Group had no material transactions with key management personnel.

The remuneration of directors and other members of key management during the years was as follows:

	Year ended 31 December	
	2015	2014 (Restated)
Salaries, bonuses and staff welfare	8.00	19.25

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2015 have not been finalized. Management of the Group believes that difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The final compensation will be disclosed in a separate announcement when determined.

The compensation of key management personnel for the year ended 31 December 2014 was not decided at the time when the Group's 2014 consolidated financial statements were released and the amount of remuneration of directors and other members of key management recognized in the consolidated income statement for the year of 2014 was RMB11.73 million. Supplementary announcement on final compensation of RMB19.25 million was released by the Bank on 27 August 2015. The comparative figures for the year of 2014 have been restated accordingly.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 RELATED PARTY TRANSACTIONS (Continued)

(7) The Group and the Annuity Scheme

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

	As at 31 December	
	2015	2014
Deposits from Annuity Scheme	8,050	8,050
Interest payable	15	15
	Year ended 31 December	
	2015	2014
Interest expense	490	490

Interest rate range for transactions with the Annuity Scheme during the year is as follows:

	Year ended 31 December	
	2015 %	2014 %
Deposits from Annuity Scheme	5.75 - 6.20	5.75 - 6.20

46 STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

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

As at 31 December 2015, the outstanding WMPs issued by WMP Vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB1,102,201 million (31 December 2014: RMB672,983 million). During the year ended 31 December 2015, the Group's interest in the WMP Vehicles included Net Fee and Commission Income of RMB6,721 million (2014: RMB5,070 million) and Net Interest Income of RMB427 million (2014: RMB499 million), which related to placements transactions by the Group with these WMP Vehicles.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 STRUCTURED ENTITIES (Continued)

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

The Group has entered into placements transactions at market interest rates with the WMP Vehicles. The average balance during 2015 and the outstanding balance as at 31 December 2015 of these transactions were RMB18,742 million (weighted average outstanding period of 4.40 days) and RMB78,000 million, respectively. The average balance during the year of 2014 and the outstanding balance as at 31 December 2014 of these transactions were RMB19,788 million (weighted average outstanding period of 3.72 days) and RMB81,300 million, respectively. The Group was under no obligation to enter into these transactions. As at 31 December 2015 and 31 December 2014, the outstanding balance of these transactions was presented in placements with and loans to banks and other financial institutions and represented the Group's maximum exposure to the WMP Vehicles.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP Vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP Vehicles disclosed above during the years ended 31 December 2015 and 31 December 2014. The Group is not required to absorb any losses incurred by WMPs before other parties. In 2015 and 2014, no loss was incurred by the WMP Vehicles relating to the Group's interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

(2) Unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and Interest Income therefrom. Unconsolidated structured entities are primarily underlying investments made by WMPs managed by the Group, and for which the Group has provided investors of the WMPs with a principal guarantee. As at 31 December 2015, the Group's maximum exposure to these other unconsolidated structured entities is summarized in the table below.

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**46 STRUCTURED ENTITIES (Continued)**

(2) Unconsolidated structured entities held by the Group (Continued)

	As at 31 December 2014				
	Financial assets designated at fair value through profits or losses	Available- for-sale investments	Held-to- maturity investment	Debt instruments classified as receivables	Total
Interest in trust products	248,794	-	-	-	248,794
Other debt instruments	59,876	-	-	-	59,876
Asset management products issued by other entities (i)	-	-	-	10,613	10,613
Asset-backed securities	-	5,054	-	-	5,054
Fund investments	-	3,358	-	-	3,358
Mortgage-backed securities	-	48	40	-	88
Total	308,670	8,460	40	10,613	327,783

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

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

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has guaranteed the investor's principal investment, regardless of its actual performance; and a special purpose trust founded by a third party trust company for issuing asset backed securities by the Group. During the years ended 31 December 2015 and 31 December 2014, the Group did not provide financial support for any of these WMP Vehicles and the special purpose trust.

47 CONTINGENT LIABILITIES AND COMMITMENTS**Legal proceedings**

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. 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.

Provision for risk incidents and legal proceedings were made by the Group based on court judgments or advice of internal and external legal counsel, and included in Note IV 36 Other Liabilities.

AGRICULTURAL BANK OF CHINA LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**47 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)****Capital commitments**

	As at 31 December	
	2015	2014
Contracted but not provided for	4,836	5,302

In addition, as at 31 December 2015, the Group did not have outstanding equity investment commitments for its investee companies (31 December 2014: the Group had outstanding equity investment commitments for its investee's companies to the capital payment of RMB306 million).

Credit commitments

	As at 31 December	
	2015	2014
Loan commitments		
- With an original maturity of less than 1 year	14,351	15,664
- With an original maturity of 1 year or above	436,082	425,394
Subtotal	450,433	441,058
Bank acceptance	382,255	418,937
Credit card commitments	258,745	254,222
Guarantee and letters of guarantee	233,376	241,171
Letters of credit	158,905	227,337
Total	1,483,714	1,582,725

Credit commitments represent credit cards and general credit facility limits granted to customers under non-cancellable agreements. 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 31 December 2015 and 31 December 2014, credit risk weighted amount for credit commitments was measured under the Internal Ratings - Based approach.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amount for credit commitments (Continued)

	As at 31 December	
	2015	2014
Credit commitments	774,925	800,383

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:

	As at 31 December	
	2015	2014
Within 1 year	4,107	4,206
1 to 2 years	3,169	3,153
2 to 3 years	2,473	2,525
3 to 5 years	2,969	3,193
Above 5 years	1,627	1,969
Total	14,345	15,046

During the year of 2015, operating lease expense recognized as operating expense by the Group was RMB5,115 million (2014: RMB4,743 million), and is included in Note IV 6 Operating Expenses.

Finance lease commitments

As at 31 December 2015 and 31 December 2014, the Group, as a lessor, had no non-cancellable finance lease commitments.

As at 31 December 2015, the gross amount of finance lease receivables included in the Group's loans and advances were RMB33,051 million (31 December 2014: RMB35,502 million), with the remaining maturity as follows:

	As at 31 December	
	2015	2014
Overdue	3,794	1,991
Within 1 year	8,010	11,511
1 to 5 years	14,534	17,829
Above 5 years	6,713	4,171
Total	33,051	35,502

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets pledged

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

	As at 31 December	
	2015	2014
Debt securities	89,651	131,828
Bill	473	-
Total	90,124	131,828

The carrying value of financial assets sold under repurchase agreements by the Group as at 31 December 2015 was RMB88,804 million (31 December 2014: RMB131,021 million) as set out in Note IV 33 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 IV 48 Transferred Financial Assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions by the Group as at 31 December 2015 amounted to RMB114,458 million in total (31 December 2014: RMB102,364 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the purchase of assets under resale agreements as set out in Note IV 18 Financial Assets Held Under Resale Agreements. The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2015. As at 31 December 2014, the Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB3,055 million and the Group did not resell or re-pledge any of these collateral accepted.

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 31 December 2015, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB53,697 million (31 December 2014: RMB44,879 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 TRANSFERRED FINANCIAL ASSETS

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

Financial assets sold under repurchase agreements

As disclosed under Note II 8.8 Repurchase Agreements and Agreements to Resell, the Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2015, of these collateral pledged disclosed in Note IV 47 Contingent Liabilities and Commitments - Collateral, RMB5,986 million (31 December 2014: RMB9,157 million) represented debt securities whereby legal title has been transferred to counterparties.

Securitization transactions

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

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

As at 31 December 2015, the cumulative carrying amounts of loans under the Group's outstanding securitization transactions where the Group had continuing involvements totaled RMB10,125 million (31 December 2014: RMB10,125 million). As at 31 December 2015, the Group continued to recognize assets of RMB844 million (31 December 2014: RMB967 million) under loans and advances to customers with the corresponding assets and liabilities under other assets and liabilities of the same amount arising from such continuing involvements.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 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.

49.1 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

Credit risk management (Continued)

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

For the year 2015, the Group strictly followed the strategy of macro-economic and related policies implemented by the government, continuously improved credit risk management and conscientiously adjusted and refined credit structure taking into consideration risk characteristics of the different industries and loan portfolios. The Group formulated risk mitigation policies on a timely basis and strengthened risk prevention of focused areas. The Group also accelerated the disposal of non-performing loans while controlling the level of non-performing loan increase.

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 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 consolidated income statement.

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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**49 FINANCIAL RISK MANAGEMENT (Continued)****49.1 Credit risk (Continued)****Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)**

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

	As at 31 December	
	2015	2014
Balances with central banks	2,470,667	2,631,103
Deposits with banks and other financial institutions	697,923	572,805
Placements with and loans to banks and other financial institutions	504,252	407,062
Financial assets held for trading	79,762	58,404
Financial assets designated at fair value through profit or loss	355,530	354,763
Derivative financial assets	16,038	7,195
Financial assets held under resale agreements	471,809	509,418
Loans and advances to customers	8,506,675	7,739,996
Available-for-sale financial assets	1,202,597	922,017
Held-to-maturity investments	2,300,824	1,710,950
Debt instruments classified as receivables	557,420	522,117
Other financial assets	176,352	128,188
Subtotal	17,339,849	15,564,018
Credit commitments	1,483,714	1,582,725
Total	18,823,563	17,146,743

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

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

The main types of collateral obtained are as follows (Continued):

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

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

Loans and advances to customers

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:

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	215,317	3.5	147,614	2.6
Yangtze River Delta	1,355,458	22.0	1,312,497	23.0
Pearl River Delta	724,691	11.7	669,532	11.8
Bohai Rim	1,062,323	17.2	1,036,523	18.2
Central China	774,559	12.5	684,153	12.0
Western China	1,346,434	21.8	1,236,514	21.7
Northeastern China	256,614	4.2	217,926	3.8
Overseas and Others	439,905	7.1	392,324	6.9
Subtotal	6,175,301	100.0	5,697,083	100.0
Personal loans and advances				
Head Office	101	-	107	-
Yangtze River Delta	692,935	25.4	606,026	25.2
Pearl River Delta	538,353	19.7	440,572	18.3
Bohai Rim	401,251	14.7	345,542	14.4
Central China	357,957	13.1	335,059	14.0
Western China	629,495	23.0	573,220	23.9
Northeastern China	107,798	3.9	96,113	4.0
Overseas and Others	6,727	0.2	4,345	0.2
Subtotal	2,734,617	100.0	2,400,984	100.0
Gross loans and advances to customers	8,909,918		8,098,067	

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

	As at 31 December			
	2015		2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,481,883	24.0	1,459,857	25.6
Transportation, logistics and postal services	924,356	15.0	779,230	13.7
Retail and wholesale	650,670	10.5	629,609	11.1
Production and supply of power, heat, gas and water	604,313	9.8	551,929	9.7
Real estate	548,388	8.9	587,916	10.3
Leasing and commercial services	461,772	7.5	399,910	7.0
Finance	457,823	7.4	218,286	3.8
Mining	260,558	4.2	261,932	4.6
Construction	216,636	3.5	212,961	3.7
Water, environment and public utilities management	205,797	3.3	209,769	3.7
Others	363,105	5.9	385,684	6.8
Subtotal	6,175,301	100.0	5,697,083	100.0
Personal loans and advances				
Residential mortgage	1,927,049	70.5	1,550,702	64.6
Personal business	230,424	8.4	266,913	11.1
Personal consumption	185,531	6.8	204,102	8.5
Credit cards	222,206	8.1	222,865	9.3
Others	169,407	6.2	156,402	6.5
Subtotal	2,734,617	100.0	2,400,984	100.0
Gross loans and advances to customers	8,909,918		8,098,067	

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 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:

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

	31 December 2014			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	794,488	295,993	705,780	1,796,261
Guaranteed loans	785,858	285,079	317,351	1,388,288
Loans secured by collateral	1,164,594	668,884	2,105,571	3,939,049
Pledged loans	476,414	52,629	445,426	974,469
Total	3,221,354	1,302,585	3,574,128	8,098,067

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Past due loans

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

	31 December 2014				
	Up to 90 days	91-360 days	361 days To 3 years	Over 3 years	Total
Unsecured loans	9,442	4,744	616	371	15,173
Guaranteed loans	19,103	14,380	7,639	4,559	45,681
Loans secured by collateral	40,740	32,292	13,845	7,585	94,462
Pledged loans	3,854	5,041	721	1,688	11,304
Total	73,139	56,457	22,821	14,203	166,620

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

		As at 31 December	
		2015	2014
Neither past due nor impaired	(i)	8,623,179	7,923,816
Past due but not impaired	(ii)	73,872	49,281
Impaired	(iii)	212,867	124,970
Subtotal		8,909,918	8,098,067
Allowance for impairment losses of loans and advances to customers		(403,243)	(358,071)
Loans and advances to customers, net		8,506,675	7,739,996

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 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

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

	31 December 2014		
	Normal	Special- mention	Total
Corporate loans and advances	5,303,893	265,154	5,569,047
Personal loans and advances	2,352,828	1,941	2,354,769
Total	7,656,721	267,095	7,923,816

(ii) Loans and advances past due but not impaired

	31 December 2015					Fair value of collateral
	Up to 30 days	31 - 60 days	61 - 90 days	91 - 360 days	Total	
Corporate loans and advances	22,914	11,599	7,981	-	42,494	38,567
Personal loans and advances	18,080	7,716	5,582	-	31,378	20,059
Total	40,994	19,315	13,563	-	73,872	58,626

	31 December 2014					Fair value of collateral
	Up to 30 days	31 - 60 days	61 - 90 days	91 - 360 days	Total	
Corporate loans and advances	15,280	3,978	3,575	1,290	24,123	23,606
Personal loans and advances	15,662	5,440	4,053	3	25,158	33,285
Total	30,942	9,418	7,628	1,293	49,281	56,891

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

(iii) Impaired loans and advances

	31 December 2015		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	180,978	(133,900)	47,078
Collectively assessed	31,889	(22,049)	9,840
Total	212,867	(155,949)	56,918

	31 December 2014		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	103,907	(73,094)	30,813
Collectively assessed	21,063	(14,591)	6,472
Total	124,970	(87,685)	37,285

Including:

	As at 31 December	
	2015	2014
Individually assessed and impaired	180,978	103,907
Individually assessed and impaired as a percentage of gross loans and advances of the Group	2.03%	1.28%
Fair value of collateral	29,319	14,697

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**49 FINANCIAL RISK MANAGEMENT (Continued)****49.1 Credit risk (Continued)****Loans and advances to customers (Continued)****(5) Credit quality of loans and advances to customers (Continued)****(iii) Impaired loans and advances (Continued)**

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

	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Head Office	7	-	7	-
Yangtze River Delta	41,684	19.6	26,242	21.0
Pearl River Delta	29,600	13.9	16,790	13.4
Bohai Rim	40,005	18.8	26,727	21.4
Central China	28,084	13.2	18,656	14.9
Western China	63,921	30.0	30,332	24.3
Northeastern China	6,036	2.8	5,368	4.3
Overseas and Others	3,530	1.7	848	0.7
Total	212,867	100.0	124,970	100.0

(6) Rescheduled loans and advances

Rescheduled loans and advances arise from renegotiating terms of contract, and such loans and advances require continuous monitoring. Rescheduled loans and advances of the Group as at 31 December 2015 amounted to RMB27,919 million (31 December 2014: RMB26,403 million).

(7) Assets foreclosed under credit enhancement arrangement

Such assets are disclosed as foreclosed assets in Note IV 27 Other Assets.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**49 FINANCIAL RISK MANAGEMENT (Continued)****49.1 Credit risk (Continued)****Debt instruments**

Credit quality of debt instruments

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

		As at 31 December	
		2015	2014
Neither past due nor impaired	(1)	2,858,931	2,233,960
Impaired	(2)	3,178	1,191
Subtotal		2,862,109	2,235,151
Individually assessed		(1,470)	(478)
Collectively assessed		(2,395)	(1,606)
Allowance for impairment losses		(3,865)	(2,084)
Total held-to-maturity investments and debt instruments classified as receivables, net		2,858,244	2,233,067

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired

	31 December 2015				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Debt securities issued by:					
- Governments	21,495	333,537	852,367	42,841	1,250,240
- Public sector and quasi-governments	78,853	465,589	1,061,581	39,786	1,645,809
- Financial institutions	48,856	176,073	202,729	57,339	484,997
- Corporates	22,079	226,882	185,967	31,971	466,899
Special government bond	-	-	-	93,300	93,300
Receivable from the MOF	-	-	-	272,023	272,023
Certificate treasury bonds and savings treasury bonds	-	-	-	2,929	2,929
Interests in trust products	201,583	-	-	-	201,583
Other debt instruments	47,714	-	-	16,098	63,812
Total	420,580	1,202,081	2,302,644	556,287	4,481,592

	31 December 2014				
	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	14,780	147,513	548,330	-	710,623
- Public sector and quasi-governments	48,723	449,183	936,274	56,141	1,490,321
- Financial institutions	4,011	137,730	67,878	45,334	254,953
- Corporates	19,389	186,574	159,349	34,475	399,787
Special government bond	-	-	-	93,300	93,300
Receivable from the MOF	-	-	-	278,314	278,314
Certificate treasury bonds and savings treasury bonds	-	-	-	3,590	3,590
Interests in trust products	248,794	-	-	-	248,794
Other debt instruments	59,876	-	-	10,975	70,851
Total	395,573	921,000	1,711,831	522,129	3,550,533

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Impaired debt instruments

	31 December 2015		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	-	543	543
Others	-	2,635	2,635
Subtotal	-	3,178	3,178
Allowance for impairment losses	-	(1,470)	(1,470)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	-	1,708	1,708
31 December 2014			
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	-	545	545
Others	-	646	646
Subtotal	-	1,191	1,191
Allowance for impairment losses	-	(478)	(478)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	-	713	713

The Group's available-for-sale debt instruments were individually assessed for impairment. As at 31 December 2015, the carrying amount of the impaired available-for-sale debt instruments of the Group was RMB516 million (31 December 2014: RMB1,017 million), among which the total impairment losses recognized for these impaired available-for-sale debt instruments by the Group as at 31 December 2015 was RMB312 million (31 December 2014: RMB295 million).

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 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:

		31 December 2015				
		Unrated(i)	AAA	AA	A	Below A
						Total
Debt securities issued by:						
- Governments		940,929	300,747	7,607	119	362
- Public sector and quasi-governments		1,495,085	143,007	4,227	3,121	-
- Financial institutions		314,173	100,889	24,517	30,081	14,803
- Corporates	(ii)	53,854	353,589	11,833	35,404	12,203
Special government bond		93,300	-	-	-	-
Receivable from the MOF		272,023	-	-	-	-
Certificate treasury bonds and savings treasury bonds		2,929	-	-	-	-
Interests in trust products	(iii)	201,583	-	-	-	-
Other debt instruments	(iii)	65,036	-	-	-	-
Total		3,438,912	898,232	48,184	68,725	27,368
						4,481,421
		31 December 2014				
		Unrated(i)	AAA	AA	A	Below A
						Total
Debt securities issued by:						
- Governments		694,230	10,297	809	5,287	-
- Public sector and quasi-governments		1,372,558	110,807	3,044	3,783	-
- Financial institutions		170,221	48,639	15,686	13,636	6,958
- Corporates	(ii)	51,096	289,920	11,875	42,033	4,701
Special government bond		93,300	-	-	-	-
Receivable from the MOF		278,314	-	-	-	-
Certificate treasury bonds and savings treasury bonds		3,590	-	-	-	-
Interests in trust products	(iii)	248,794	-	-	-	-
Other debt instruments	(iii)	71,079	-	-	-	-
Total		2,983,182	459,663	31,414	64,739	11,659
						3,550,657

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.1 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 RMB51,553 million (31 December 2014: RMB31,704 million), as included in corporate bonds above are based on issuer rating for this credit risk analysis.
- (iii) The trust products and other debt instruments are classified within Level 3 of the fair value measurement hierarchy and the related credit risk is described in Note IV 51 Fair Value of Financial Instruments.

49.2 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 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 based on the carrying amount at the end of each reporting period.

	31 December 2015							
	Past due	On demand	Less than 1 month	1 - 3 months	3 - 12 months	1-5 years	Over 5 years	Undated
Cash and balances with central banks	-	175,046	31,379	-	3,147	-	-	2,377,485
Deposits with banks and other financial institutions	-	62,223	67,391	106,999	460,050	1,260	-	-
Placements with and loans to banks and other financial institutions	-	-	228,400	60,359	206,024	9,469	-	-
Financial assets held for trading	-	20	9,188	16,872	33,146	16,580	3,976	-
Financial assets designated at fair value through profit or loss	-	-	28,991	49,415	181,918	62,543	32,663	3,949
Derivative financial assets	-	-	1,512	2,047	11,164	1,224	91	-
Financial assets held under resale agreements	-	-	275,867	127,105	68,837	-	-	-
Loans and advances to customers	46,176	-	436,319	758,211	2,520,971	1,764,276	2,980,722	-
Available-for-sale financial assets	-	-	30,086	40,705	214,175	608,815	308,816	11,945
Held-to-maturity investments	-	-	28,330	37,773	297,731	1,109,860	827,130	-
Debt instruments classified as receivables	1	72	1,537	4,568	28,219	100,398	422,625	-
Other financial assets	1,930	41,439	26,254	53,739	52,574	367	49	-
Total financial assets	48,107	278,800	1,165,254	1,257,793	4,077,956	3,674,792	4,576,072	2,393,379
Borrowings from central bank	-	(30)	(1,257)	(14,510)	(44,199)	(603)	-	-
Deposits from banks and other financial institutions	-	(654,627)	(97,631)	(71,036)	(196,999)	(201,608)	-	-
Placements from banks and other financial institutions	-	-	(148,032)	(81,136)	(82,884)	(1,981)	(1,726)	-
Financial liabilities held for trading	-	(11,541)	(4,165)	(5,628)	(2,702)	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	(99,066)	(94,230)	(186,697)	(26,378)	(36)	-
Derivative financial liabilities	-	-	(1,055)	(1,869)	(7,915)	(1,169)	(184)	-
Financial assets sold under repurchase agreements	-	-	(83,138)	(255)	(5,411)	-	-	-
Due to customers	-	(7,673,376)	(549,963)	(1,131,857)	(2,553,458)	(1,629,705)	(1)	-
Debt securities issued	-	-	(38,732)	(53,909)	(98,423)	(36,746)	(154,932)	-
Other financial liabilities	-	(133,606)	(15,678)	(66,889)	(74,176)	(95,149)	(34,182)	-
Total financial liabilities	-	(8,473,180)	(1,038,717)	(1,521,319)	(3,252,864)	(1,993,339)	(191,061)	-
Net position	48,107	(8,194,380)	126,537	(263,526)	825,092	1,681,453	4,385,011	2,393,379

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Liquidity risk (Continued)

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

	31 December 2014								
	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	-	161,215	27,272	-	-	-	-	2,554,578	2,743,065
Deposits with banks and other financial institutions	-	42,452	37,201	130,547	360,405	2,200	-	-	572,805
Placements with and loans to banks and other financial institutions	-	-	193,149	38,487	136,584	38,842	-	-	407,062
Financial assets held for trading	-	21	4,628	8,816	23,580	16,446	4,934	-	58,425
Financial assets designated at fair value through profit or loss	-	-	32,860	63,158	173,300	67,672	17,773	1,472	356,235
Derivative financial assets	-	-	924	1,419	3,358	1,264	230	-	7,195
Financial assets held under resale agreements	-	-	355,523	106,487	47,408	-	-	-	509,418
Loans and advances to customers	29,656	-	426,767	742,945	2,326,006	1,673,235	2,541,387	-	7,739,996
Available-for-sale financial assets	-	-	14,821	42,862	175,149	492,102	197,083	5,886	927,903
Held-to-maturity investments	-	-	8,571	62,181	167,984	860,252	611,962	-	1,710,950
Debt instruments classified as receivables	1	88	-	2,388	25,085	88,789	405,766	-	522,117
Other financial assets	1,542	14,184	26,099	42,044	44,055	219	45	-	128,188
Total financial assets	31,199	217,960	1,127,815	1,241,334	3,482,914	3,241,021	3,779,180	2,561,936	15,683,359
Borrowings from central bank	-	(30)	-	(80,011)	(80)	-	-	-	(80,121)
Deposits from banks and other financial institutions	-	(284,412)	(16,656)	(52,011)	(189,971)	(288,091)	-	-	(831,141)
Placements from banks and other financial institutions	-	-	(95,431)	(72,370)	(53,337)	(2,667)	(1,118)	-	(224,923)
Financial liabilities held for trading	-	(10,085)	(6,074)	(6,789)	(2,263)	-	-	-	(25,211)
Financial liabilities designated at fair value through profit or loss	-	-	(155,596)	(85,497)	(80,022)	(26,131)	(36)	-	(347,282)
Derivative financial liabilities	-	-	(1,846)	(1,150)	(2,867)	(1,013)	(364)	-	(7,240)
Financial assets sold under repurchase agreements	-	-	(113,805)	(14,229)	(2,987)	-	-	-	(131,021)
Due to customers	-	(7,046,736)	(604,561)	(1,105,613)	(2,363,672)	(1,412,631)	(184)	-	(12,533,397)
Debt securities issued	-	-	(21,203)	(37,911)	(85,934)	(80,168)	(99,951)	-	(325,167)
Other financial liabilities	-	(96,209)	(19,113)	(54,347)	(58,660)	(73,596)	(24,276)	-	(326,201)
Total financial liabilities	-	(7,437,472)	(1,034,285)	(1,509,928)	(2,839,793)	(1,884,297)	(125,929)	-	(14,831,704)
Net position	31,199	(7,219,512)	93,530	(268,594)	643,121	1,356,724	3,653,251	2,561,936	851,655

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 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:

	31 December 2015								
	Past due	On demand	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	-	175,046	31,379	1,119	3,147	-	-	2,377,485	2,588,176
Deposits with banks and other financial institutions	-	62,223	68,581	109,926	475,100	1,260	-	-	717,090
Placements with and loans to banks and other financial institutions	-	-	228,910	61,759	211,832	9,784	-	-	512,285
Financial assets held for trading	-	20	9,551	17,411	34,679	18,282	4,259	-	84,202
Financial assets designated at fair value through profit or loss	-	-	29,554	50,581	191,501	74,777	37,021	3,949	387,383
Financial assets held under resale agreements	-	-	277,186	128,996	69,936	-	-	-	476,118
Loans and advances to customers	166,750	-	502,630	862,665	2,884,375	2,670,681	4,395,705	-	11,482,806
Available-for-sale financial assets	-	-	33,422	46,435	249,273	698,678	351,672	11,945	1,391,425
Held-to-maturity investments	-	-	35,186	53,011	369,374	1,359,459	1,020,861	-	2,837,891
Debt instruments classified as receivables	44	72	10,760	6,084	37,651	166,206	475,672	-	696,489
Other financial assets	-	41,390	1,749	26,911	1,479	41	7	-	71,577
Total non-derivative financial assets	166,794	278,751	1,228,908	1,364,898	4,528,347	4,999,168	6,285,197	2,393,379	21,245,442
Non-derivative financial liabilities									
Borrowings from central bank	-	(30)	(1,257)	(14,760)	(44,945)	(604)	-	-	(61,596)
Deposits from banks and other financial institutions	-	(654,628)	(98,736)	(78,983)	(205,693)	(226,850)	-	-	(1,264,890)
Placements from banks and other financial institutions	-	-	(148,500)	(81,584)	(83,887)	(2,261)	(1,898)	-	(318,130)
Financial liabilities held for trading	-	(11,541)	(4,183)	(5,654)	(2,722)	-	-	-	(24,100)
Financial liabilities designated at fair value through profit or loss	-	-	(99,503)	(95,377)	(193,554)	(27,487)	(41)	-	(415,962)
Financial assets sold under repurchase agreements	-	-	(83,173)	(256)	(5,436)	-	-	-	(88,865)
Due to customers	-	(7,677,719)	(563,857)	(1,167,656)	(2,655,301)	(1,875,275)	(1)	-	(13,939,809)
Debt securities issued	-	-	(38,829)	(54,443)	(108,277)	(70,347)	(201,846)	-	(473,742)
Other financial liabilities	-	(129,421)	(812)	(28,189)	(1,313)	(388)	(34,174)	-	(194,297)
Total non-derivative financial liabilities	-	(8,473,339)	(1,038,850)	(1,526,902)	(3,301,128)	(2,203,212)	(237,960)	-	(16,781,391)
Net position	166,794	(8,194,588)	190,058	(162,004)	1,227,219	2,795,956	6,047,237	2,393,379	4,464,051

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	31 December 2014								
	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	-	161,215	27,272	1,214	-	-	-	2,554,578	2,744,279
Deposits with banks and other financial institutions	-	42,452	38,239	136,039	375,953	2,405	-	-	595,088
Placements with and loans to banks and other financial institutions	-	-	193,395	41,169	143,735	39,889	-	-	418,188
Financial assets held for trading	-	21	4,969	9,157	25,016	18,631	5,382	-	63,176
Financial assets designated at fair value through profit or loss	-	-	33,893	65,871	183,564	79,102	21,326	1,472	385,228
Financial assets held under resale agreements	-	-	358,139	108,674	48,451	-	-	-	515,264
Loans and advances to customers	91,690	-	496,444	853,270	2,695,148	2,570,241	3,875,869	-	10,582,662
Available-for-sale financial assets	-	-	17,235	48,402	211,037	572,898	233,973	5,886	1,089,431
Held-to-maturity investments	-	-	13,085	75,141	217,912	1,058,738	765,378	-	2,130,254
Debt instruments classified as receivables	45	88	50	3,744	31,868	111,405	429,642	-	576,842
Other financial assets	-	13,993	1,530	13,198	1,512	-	7	-	30,240
Total non-derivative financial assets	91,735	217,769	1,184,251	1,355,879	3,934,196	4,453,309	5,331,577	2,561,936	19,130,652
Non-derivative financial liabilities									
Borrowings from central bank	-	(30)	-	(80,711)	(80)	-	-	-	(80,821)
Deposits from banks and other financial institutions	-	(284,415)	(17,993)	(60,647)	(197,047)	(324,822)	-	-	(884,924)
Placements from banks and other financial institutions	-	-	(96,160)	(73,017)	(54,152)	(2,940)	(1,251)	-	(227,520)
Financial liabilities held for trading	-	(10,085)	(6,100)	(6,816)	(2,279)	-	-	-	(25,280)
Financial liabilities designated at fair value through profit or loss	-	-	(157,088)	(87,454)	(83,150)	(28,104)	(44)	-	(355,840)
Financial assets sold under repurchase agreements	-	-	(114,138)	(14,354)	(2,997)	-	-	-	(131,489)
Due to customers	-	(7,050,998)	(620,383)	(1,142,823)	(2,461,528)	(1,628,319)	(184)	-	(12,904,235)
Debt securities issued	-	-	(21,271)	(38,484)	(95,599)	(113,036)	(115,305)	-	(383,695)
Other financial liabilities	-	(91,631)	(871)	(14,125)	(2,070)	(352)	(24,276)	-	(133,325)
Total non-derivative financial liabilities	-	(7,437,159)	(1,034,004)	(1,518,431)	(2,898,902)	(2,097,573)	(141,060)	-	(15,127,129)
Net position	91,735	(7,219,390)	150,247	(162,552)	1,035,294	2,355,736	5,190,517	2,561,936	4,003,523

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 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:

	31 December 2015					Total
	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	
Interest rate derivatives	(18)	5	49	(28)	(227)	(219)

	31 December 2014					Total
	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	
Interest rate derivatives	(3)	18	14	(59)	(102)	(132)

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:

	31 December 2015					Total
	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	
Derivatives settled on a gross basis						
- Cash inflow	229,711	213,739	867,746	50,092	815	1,362,103
- Cash outflow	(229,673)	(213,507)	(863,714)	(49,965)	(815)	(1,357,674)
Total	38	232	4,032	127	-	4,429

	31 December 2014					Total
	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	
Derivatives settled on a gross basis						
- Cash inflow	270,824	174,010	400,347	62,974	2,050	910,205
- Cash outflow	(271,642)	(173,741)	(399,764)	(62,679)	(2,050)	(909,876)
Total	(818)	269	583	295	-	329

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.2 Liquidity risk (Continued)

Credit Commitments

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

	31 December 2015			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Loan commitments	56,515	134,021	259,897	450,433
Bank acceptance	382,255	-	-	382,255
Credit card commitments	258,745	-	-	258,745
Guarantee and letters of guarantee	102,829	97,027	33,520	233,376
Letters of credit	151,193	7,712	-	158,905
Total	951,537	238,760	293,417	1,483,714

	31 December 2014			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Loan commitments	57,799	135,864	247,395	441,058
Bank acceptance	418,937	-	-	418,937
Credit card commitments	254,222	-	-	254,222
Guarantee and letters of guarantee	102,668	104,440	34,063	241,171
Letters of credit	219,359	7,978	-	227,337
Total	1,052,985	248,282	281,458	1,582,725

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 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	2015			
	At the end of the year	Average	Maximum	Minimum
Interest rate risk	50	76	103	50
Exchange rate risk (1)	82	74	151	32
Commodity risk	18	29	53	9
Overall VaR	82	119	183	68

Bank	2014			
	At the end of the year	Average	Maximum	Minimum
Interest rate risk	73	69	98	50
Exchange rate risk (1)	32	92	247	31
Commodity risk	36	21	36	2
Overall VaR	88	135	289	57

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

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

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 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 adjust its pricing strategy. The Group establishes comprehensive interest rate risk management policies and protocols and has improved the consistency of interest rate risk measurement, monitoring, analysis and management of interest rate risk across the Group.

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

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the character of the underlying instruments or transactions, including exposure limit monitoring, enforcement of stop-loss limit, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 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:

	31 December 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,533,407	47,748	1,500	4,402	2,587,057
Deposits with banks and other financial institutions	642,108	36,844	8,803	10,168	697,923
Placements with and loans to banks and other financial institutions	412,437	87,171	838	3,806	504,252
Financial assets held for trading	79,782	-	-	-	79,782
Financial assets designated at fair value through profit or loss	331,966	10,216	14,134	3,163	359,479
Derivative financial assets	2,952	12,399	79	608	16,038
Financial assets held under resale agreements	471,809	-	-	-	471,809
Loans and advances to customers	8,098,472	336,998	47,918	23,287	8,506,675
Available-for-sale financial assets	1,124,517	69,605	1,667	18,753	1,214,542
Held-to-maturity investments	2,274,171	24,410	-	2,243	2,300,824
Debt instruments classified as receivables	557,418	-	1	1	557,420
Other financial assets	146,462	27,797	1,250	843	176,352
Total financial assets	16,675,501	653,188	76,190	67,274	17,472,153
Borrowings from central bank	(58,739)	-	(1,257)	(603)	(60,599)
Deposits from banks and other financial institutions	(1,145,912)	(69,892)	(5,667)	(430)	(1,221,901)
Placements from banks and other financial institutions	(66,808)	(188,588)	(45,674)	(14,689)	(315,759)
Financial liabilities held for trading	(24,036)	-	-	-	(24,036)
Financial liabilities designated at fair value through profit or loss	(403,328)	(3,044)	-	(35)	(406,407)
Derivative financial liabilities	(10,074)	(897)	(13)	(1,208)	(12,192)
Financial assets sold under repurchase agreements	(83,471)	(5,333)	-	-	(88,804)
Due to customers	(13,253,507)	(220,929)	(31,161)	(32,763)	(13,538,360)
Debt securities issued	(230,650)	(127,703)	(18,287)	(6,102)	(382,742)
Other financial liabilities	(384,409)	(32,190)	(1,680)	(1,401)	(419,680)
Total financial liabilities	(15,660,934)	(648,576)	(103,739)	(57,231)	(16,470,480)
Net on-balance sheet position	1,014,567	4,612	(27,549)	10,043	1,001,673
Net notional amount of derivatives	22,179	(5,342)	31,748	(37,060)	11,525
Credit commitments	1,307,939	158,487	4,312	12,976	1,483,714

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49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

	31 December 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,702,760	38,745	892	668	2,743,065
Deposits with banks and other financial institutions	532,320	27,498	6,780	6,207	572,805
Placements with and loans to banks and other financial institutions	346,830	59,933	-	299	407,062
Financial assets held for trading	58,425	-	-	-	58,425
Financial assets designated at fair value through profit or loss	343,566	2,208	10,461	-	356,235
Derivative financial assets	2,810	4,203	21	161	7,195
Financial assets held under resale agreements	509,418	-	-	-	509,418
Loans and advances to customers	7,335,891	349,456	40,546	14,103	7,739,996
Available-for-sale financial assets	878,428	43,910	1,247	4,318	927,903
Held-to-maturity investments	1,701,059	9,428	-	463	1,710,950
Debt instruments classified as receivables	522,054	62	-	1	522,117
Other financial assets	120,380	5,373	1,464	971	128,188
Total financial assets	15,053,941	540,816	61,411	27,191	15,683,359
Borrowings from central bank	(80,121)	-	-	-	(80,121)
Deposits from banks and other financial institutions	(694,023)	(135,707)	(703)	(708)	(831,141)
Placements from banks and other financial institutions	(57,575)	(118,923)	(36,431)	(11,994)	(224,923)
Financial liabilities held for trading	(25,211)	-	-	-	(25,211)
Financial liabilities designated at fair value through profit or loss	(347,012)	(179)	-	(91)	(347,282)
Derivative financial liabilities	(2,924)	(2,278)	(45)	(1,993)	(7,240)
Financial assets sold under repurchase agreements	(122,632)	(8,389)	-	-	(131,021)
Due to customers	(12,296,462)	(194,887)	(26,645)	(15,403)	(12,533,397)
Debt securities issued	(205,846)	(96,943)	(15,720)	(6,658)	(325,167)
Other financial liabilities	(312,235)	(9,392)	(2,660)	(1,914)	(326,201)
Total financial liabilities	(14,144,041)	(566,698)	(82,204)	(38,761)	(14,831,704)
Net on-balance sheet position	909,900	(25,882)	(20,793)	(11,570)	851,655
Net notional amount of derivatives	(103,658)	60,135	25,844	16,029	(1,650)
Credit commitments	1,412,973	153,012	7,566	9,174	1,582,725

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 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 consolidated statement of financial position.

	31 December 2015		31 December 2014	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
5% appreciation	1,753	(22)	(2,150)	(31)
5% depreciation	(1,753)	22	2,150	31

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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

	31 December 2015						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central banks	2,294,237	-	3,147	-	-	289,673	2,587,057
Deposits with banks and other financial institutions	128,136	107,123	460,250	1,260	-	1,154	697,923
Placements with and loans to banks and other financial institutions	229,809	61,016	205,958	7,469	-	-	504,252
Financial assets held for trading	9,797	17,012	32,645	16,332	3,976	20	79,782
Financial assets designated at fair value through profit or loss	33,264	57,213	174,531	57,860	32,662	3,949	359,479
Derivative financial assets	-	-	-	-	-	16,038	16,038
Financial assets held under resale agreements	275,867	127,105	68,837	-	-	-	471,809
Loans and advances to customers	3,130,605	1,497,927	3,530,381	145,347	202,415	-	8,506,675
Available-for-sale financial assets	57,958	77,438	220,340	544,478	302,383	11,945	1,214,542
Held-to-maturity investments	31,061	60,847	312,703	1,075,252	820,961	-	2,300,824
Debt instruments classified as receivables	3,154	8,264	37,690	87,908	420,404	-	557,420
Other financial assets	-	-	-	-	-	176,352	176,352
Total financial assets	6,193,888	2,013,945	5,046,482	1,935,906	1,782,801	499,131	17,472,153
Borrowings from central bank	(1,257)	(14,510)	(44,199)	(603)	-	(30)	(60,599)
Deposits from banks and other financial institutions	(752,048)	(71,036)	(196,999)	(201,598)	-	(220)	(1,221,901)
Placements from banks and other financial institutions	(149,848)	(83,250)	(82,130)	(531)	-	-	(315,759)
Financial liabilities held for trading	(4,165)	(5,628)	(2,702)	-	-	(11,541)	(24,036)
Financial liabilities designated at fair value through profit or loss	(99,066)	(94,230)	(186,697)	(26,378)	(36)	-	(406,407)
Derivative financial liabilities	-	-	-	-	-	(12,192)	(12,192)
Financial assets sold under repurchase agreements	(83,138)	(255)	(5,411)	-	-	-	(88,804)
Due to customers	(8,031,571)	(1,132,862)	(2,553,742)	(1,630,591)	(1)	(189,593)	(13,538,360)
Debt securities issued	(40,930)	(57,921)	(95,626)	(33,331)	(154,934)	-	(382,742)
Other financial liabilities	-	-	-	-	-	(419,680)	(419,680)
Total financial liabilities	(9,162,023)	(1,459,692)	(3,167,506)	(1,893,032)	(154,971)	(633,256)	(16,470,480)
Interest rate gap	(2,968,135)	554,253	1,878,976	42,874	1,627,830	(134,125)	1,001,673

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 Market risk (Continued)

Interest rate risk (Continued)

	31 December 2014						
	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	2,475,672	-	-	-	-	267,393	2,743,065
Deposits with banks and other financial institutions	106,337	115,347	347,054	2,200	-	1,867	572,805
Placements with and loans to banks and other financial institutions	194,417	38,624	136,089	37,932	-	-	407,062
Financial assets held for trading	5,791	10,549	23,439	13,691	4,934	21	58,425
Financial assets designated at fair value through profit or loss	41,513	79,998	164,045	51,442	17,765	1,472	356,235
Derivative financial assets	-	-	-	-	-	7,195	7,195
Financial assets held under resale agreements	355,523	106,487	47,408	-	-	-	509,418
Loans and advances to customers	2,646,120	1,412,923	3,364,374	133,099	183,480	-	7,739,996
Available-for-sale financial assets	42,447	85,587	203,966	411,264	178,753	5,886	927,903
Held-to-maturity investments	11,192	81,195	192,417	823,752	602,394	-	1,710,950
Debt instruments classified as receivables	1	2,388	35,064	78,810	405,766	88	522,117
Other financial assets	-	-	-	-	-	128,188	128,188
Total financial assets	5,879,013	1,933,098	4,513,856	1,552,190	1,393,092	412,110	15,683,359
Borrowings from central bank	-	(80,011)	(80)	-	-	(30)	(80,121)
Deposits from banks and other financial institutions	(309,021)	(50,908)	(187,588)	(283,479)	-	(145)	(831,141)
Placements from banks and other financial institutions	(96,461)	(73,279)	(53,152)	(2,031)	-	-	(224,923)
Financial liabilities held for trading	(6,074)	(6,789)	(2,263)	-	-	(10,085)	(25,211)
Financial liabilities designated at fair value through profit or loss	(155,596)	(85,497)	(80,022)	(26,131)	(36)	-	(347,282)
Derivative financial liabilities	-	-	-	-	-	(7,240)	(7,240)
Financial assets sold under repurchase agreements	(113,805)	(14,229)	(2,987)	-	-	-	(131,021)
Due to customers	(7,477,195)	(1,105,613)	(2,363,672)	(1,412,631)	(184)	(174,102)	(12,533,397)
Debt securities issued	(25,646)	(44,772)	(76,427)	(23,409)	(154,913)	-	(325,167)
Other financial liabilities	-	-	-	-	-	(326,201)	(326,201)
Total financial liabilities	(8,183,798)	(1,461,098)	(2,766,191)	(1,747,681)	(155,133)	(517,803)	(14,831,704)
Interest rate gap	(2,304,785)	472,000	1,747,665	(195,491)	1,237,959	(105,693)	851,655

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.3 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 unparallel 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.

	31 December 2015		31 December 2014	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(16,780)	(38,949)	(11,600)	(23,485)
- 100 basis points	16,780	38,949	11,600	23,485

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.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 FINANCIAL RISK MANAGEMENT (Continued)

49.4 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.

50 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- Safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

In 2012, the CBRC issued the "Capital Rules for Commercial Banks (Provisional)" which took effect from 1 January 2013. Upon the effectiveness of this new regulation, the then existing "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", issued by the CBRC, was superseded in full.

The "Capital Rules for Commercial Banks (Provisional)" includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

- minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;
- capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;
- additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;
- should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 CAPITAL MANAGEMENT (Continued)

In April 2014, the CBRC has officially approved the Group to adopt the Internal Ratings - Based approach to measure its Credit Risk-weighted Assets for both retail and non-retail risk exposures and the Standardized approach to measure its Operational Risk-weighted Assets, respectively. Before that, the Group has been using the Weighted approach and the Basic Indicator approach to measure its Credit Risk-weighted Assets and Operational Risk-weighted Assets, respectively, for the purpose of calculating its Capital Adequacy Ratios. The CBRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the above two approaches, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

As at 31 December 2015 and 31 December 2014, the Group adopted the Standardized approach for Market Risk-weighted Assets measurement.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBRC. Required information related to capital levels and utilization is filed quarterly with the CBRC.

The table below summarizes the Capital Adequacy Ratios and capital composition as at 31 December 2015 calculated pursuant to the "Capital Rules for Commercial Banks (Provisional)" and under the Internal Ratings - Based approach for Credit Risk-weighted Asset and the Standardized approach for Market Risk-weighted Assets and Operational Risk-weighted Assets, respectively, as approved by the CBRC in April 2014.

		31 December 2015	31 December 2014
Common Equity Tier-one Capital Adequacy Ratio	(1)	10.24%	9.09%
Tier-one Capital Adequacy Ratio	(1)	10.96%	9.46%
Capital Adequacy Ratio	(1)	13.40%	12.82%
Common Equity Tier-one Capital	(2)	1,130,285	991,429
Deductible Items from Common Equity Tier-one Capital	(3)	(5,595)	(5,223)
Net Common Equity Tier-one Capital		1,124,690	986,206
Additional Tier-one Capital	(4)	79,902	39,946
Net Tier-one Capital		1,204,592	1,026,152
Tier-two Capital	(5)	267,028	365,407
Net Capital		1,471,620	1,391,559
Risk-weighted Assets	(6)	10,986,302	10,852,619

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 CAPITAL MANAGEMENT (Continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (1) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

- (2) The Group’s Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve.
- (3) The Group’s Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.
- (4) The Group’s Additional Tier-one Capital includes: preference shares issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (5) The Group’s Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group’s assets and liabilities in the consolidated 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 31 December 2015 and 31 December 2014.

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FOR THE YEAR ENDED 31 DECEMBER 2015

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

51.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

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.

For the year ended 31 December 2015, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

51.2 Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: fair value measurements are not based on observable market data (that is, unobservable inputs).

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

51.3 Financial assets and financial liabilities not measured at fair value on the consolidated 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 consolidated 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.

		31 December 2015		31 December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Held-to-maturity investments	(1)	2,300,824	2,387,518	1,710,950	1,725,227
Debt instruments classified as receivables	(2)	<u>192,097</u>	<u>196,282</u>	<u>150,503</u>	<u>150,690</u>
Total		<u>2,492,921</u>	<u>2,583,800</u>	<u>1,861,453</u>	<u>1,875,917</u>
Financial liabilities					
Bonds issued	(3)	<u>198,476</u>	<u>199,289</u>	<u>191,994</u>	<u>193,493</u>

Other than these stated below, financial assets and financial liabilities as set out above were classified within Level 2 of the fair value measurement hierarchy.

- (1) As at 31 December 2015, included in the Group's held-to-maturity investments, RMB2,048 million were classified within Level 1 of the fair value measurement hierarchy.
- (2) As at 31 December 2015, included in the Group's debt instruments classified as receivables, RMB60,854 million were classified within Level 3 of the fair value measurement hierarchy (31 December 2014: RMB11,204 million).
- (3) As at 31 December 2015, included in the Group's bonds issued RMB9,724 million were classified within Level 1 of the fair value measurement hierarchy (31 December 2014: RMB3,055 million).

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

51.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value.

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Financial assets held for trading				
- Debt securities	-	65,050	-	65,050
- Precious metal contracts	-	14,732	-	14,732
Subtotal	-	79,782	-	79,782
Financial assets designated at fair value through profit or loss				
- Debt securities	-	105,584	649	106,233
- Interest in trust products	-	-	201,583	201,583
- Other debt instruments	-	-	47,714	47,714
- Equity instruments	1,019	700	2,230	3,949
Subtotal	1,019	106,284	252,176	359,479
Derivative financial assets				
- Exchange rate derivatives	-	13,833	38	13,871
- Interest rate derivatives	-	900	20	920
- Precious metal contracts	-	1,247	-	1,247
Subtotal	-	15,980	58	16,038
Available-for-sale financial assets				
- Debt securities	15,138	1,187,375	84	1,202,597
- Equity instruments	1,498	-	3,547	5,045
- Fund investments	6,586	-	-	6,586
Subtotal	23,222	1,187,375	3,631	1,214,228
Total assets	24,241	1,389,421	255,865	1,669,527
Financial liabilities held for trading				
- Financial liabilities related to precious metals	-	(24,036)	-	(24,036)
Financial liabilities designated at fair value through profit or loss				
- Principal guaranteed wealth management products	-	-	(406,407)	(406,407)
Derivative financial liabilities				
- Exchange rate derivatives	-	(11,129)	(65)	(11,194)
- Interest rate derivatives	-	(935)	(26)	(961)
- Precious metal contracts	-	(37)	-	(37)
Subtotal	-	(12,101)	(91)	(12,192)
Total liabilities	-	(36,137)	(406,498)	(442,635)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

51.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Debt securities	-	40,810	-	40,810
- Precious metal contracts	-	17,615	-	17,615
Subtotal	-	58,425	-	58,425
Financial assets designated at fair value through profit or loss				
- Debt securities	122	45,971	-	46,093
- Interest in trust products	-	-	248,794	248,794
- Other debt instruments	-	-	59,876	59,876
- Equity instruments	3	633	836	1,472
Subtotal	125	46,604	309,506	356,235
Derivative financial assets				
- Exchange rate derivatives	-	5,654	164	5,818
- Interest rate derivatives	-	757	38	795
- Precious metal contracts	-	561	-	561
- Others	-	-	21	21
Subtotal	-	6,972	223	7,195
Available-for-sale financial assets				
- Debt securities	19,098	902,804	115	922,017
- Equity instruments	919	-	1,325	2,244
- Fund investments	3,358	-	-	3,358
Subtotal	23,375	902,804	1,440	927,619
Total assets	23,500	1,014,805	311,169	1,349,474
Financial liabilities held for trading				
- Financial liabilities related to precious metals	-	(25,211)	-	(25,211)
Financial liabilities designated at fair value through profit or loss				
- Principal guaranteed wealth management products	-	-	(347,282)	(347,282)
Derivative financial liabilities				
- Exchange rate derivatives	-	(6,020)	(226)	(6,246)
- Interest rate derivatives	-	(866)	(70)	(936)
- Precious metal contracts	-	(58)	-	(58)
Subtotal	-	(6,944)	(296)	(7,240)
Total liabilities	-	(32,155)	(347,578)	(379,733)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

51.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options and precious metal contracts. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps and currency options are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts is determined with reference to the closing spot price of gold of the Shanghai Gold Exchange. All significant inputs are observable in the market.

Substantially all financial assets and financial liabilities classified within Level 3 of the fair value hierarchy are trust products and other financial assets and financial Liabilities Designated at Fair Value through Profit or Loss. Generally, these assets are the investments into which wealth management products have invested, and for which the Group has provided investors with a principal. The related liability, the wealth management product itself, is also designated at fair value through profit or loss. These designations offset the accounting mismatch.

The nature of the assets classified within Level 3 of the fair value measurement hierarchy is primarily investment products issued by domestic trust companies or other financial institutions, underlying assets of which include credit assets, deposits with financial institutions and debt securities. The counterparties of the underlying deposits are primarily commercial banks in Mainland China. The credit assets and debt securities are loans and advances to corporate customers and, plain vanilla bonds or notes issued by corporates or financial institutions in Mainland China. As not all of the inputs needed to estimate the fair value of deposits, credit assets and debt securities in the investment products are observable, the Group classified the investment product as a whole within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these underlying assets in a current arm's length sale could differ from those disclosed.

There were no significant transfers between levels of the fair value hierarchy during the years ended 31 December 2015 and 31 December 2014.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

51.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value on the consolidated statement of financial position is as follows:

	2015				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2015	309,506	223	1,440	(347,282)	(296)
Purchases	384,359	-	2,599	-	-
Issues	-	-	-	(3,007,928)	-
Settlements/disposals	(458,126)	(131)	(408)	2,963,544	144
Total gains/(losses) recognized in					
- Profit or loss	16,437	(34)	3	(14,741)	61
- Other comprehensive income	-	-	(3)	-	-
31 December 2015	252,176	58	3,631	(406,407)	(91)
Change in unrealized gains/(losses) for the year included in profit or loss for assets/liabilities held at the end of the year	962	(177)	-	9	190

	2014				
	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 2014	211,011	347	225	(285,454)	(692)
Purchases	367,322	21	1,325	-	-
Issues	-	-	-	(3,084,325)	-
Settlements/disposals	(285,313)	(17)	(110)	3,036,734	36
Total gains/(losses) recognized in					
- Profit or loss	16,486	(128)	2	(14,237)	360
- Other comprehensive income	-	-	(2)	-	-
31 December 2014	309,506	223	1,440	(347,282)	(296)
Change in unrealized (losses)/gains for the year included in profit or loss for assets/liabilities held at the end of the year	(787)	(128)	-	439	360

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

51.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year are presented in Net Gain on Financial Instruments Designated at fair value through profit or loss of the consolidated income statement.

52 EVENTS AFTER THE REPORTING PERIOD

52.1 Profit appropriation

Pursuant to the meeting of Board of Directors on 21 January 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 and the dividend was distributed on 11 March 2016.

Pursuant to the meeting of the Board of Directors on 31 March 2016, the proposal for profit appropriations of the Bank for the year ended 31 December 2015 is set forth as follows:

- (i) An appropriation of RMB18,078 million to the statutory surplus reserve;
- (ii) An appropriation of RMB22,464 million to the general reserve;
- (iii) A cash dividend of RMB0.1668 per ordinary share in respect of the year ended 31 December 2015 based on the number of ordinary shares issued as at 31 December 2015 totaling RMB54,176 million (Note IV 10 Dividends).

As at 31 December 2015, the statutory surplus reserve had been recognized as appropriation. The other two items will be recognized on the Group's financial statements after approval by shareholders in the forthcoming general meeting.

52.2 Capital injection

The Board of Directors approved capital injection to ABC International Holdings Limited of HKD4,250 million on 21 January 2016. As at 31 March 2016, the capital injection was still subject to approval of the CBRC.

52.3 Business Taxes to Value Added Taxes Reform

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform"(Cai Shui [2016] No. 36) issued by the MOF and the SAT on 23 March 2016, effective 1 May 2016 taxpayers across the country in the financial industries will be required to pay value added taxes instead of business taxes. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately. Such changes will have impacts on both the Group's consolidated financial statements and related financial indicators.

53 COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54 STATEMENT OF FINANCIAL POSITION OF THE BANK

	As at 31 December	
	2015	2014
Assets		
Cash and balances with central banks	2,586,843	2,742,797
Deposits with banks and other financial institutions	690,230	562,792
Precious metals	40,909	20,188
Placements with and loans to banks and other financial institutions	511,969	412,825
Financial assets held for trading	79,777	58,425
Financial assets designated at fair value through profit or loss	355,550	355,763
Derivative financial assets	15,803	6,950
Financial assets held under resale agreements	470,182	509,412
Loans and advances to customers	8,473,314	7,700,348
Available-for-sale financial assets	1,195,554	917,381
Held-to-maturity investments	2,293,949	1,703,508
Debt instruments classified as receivables	541,252	511,174
Investment in subsidiaries	10,660	10,564
Investments in associates	273	-
Property and equipment	153,184	152,374
Deferred tax assets	81,213	78,368
Other assets	185,575	148,290
Total assets	17,686,237	15,891,159
Liabilities		
Borrowings from central bank	60,489	80,030
Deposits from banks and other financial institutions	1,226,793	834,765
Placements from banks and other financial institutions	290,389	197,803
Financial liabilities held for trading	24,036	25,211
Financial liabilities designated at fair value through profit or loss	406,414	347,286
Derivative financial liabilities	11,972	7,072
Financial assets sold under repurchase agreements	88,804	126,950
Due to customers	13,535,613	12,530,169
Debt securities issued	379,728	323,336
Other liabilities	453,468	389,088
Total liabilities	16,477,706	14,861,710

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54 STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

	Notes	As at 31 December	
	IV	2015	2014
Equity			
Ordinary shares	37	324,794	324,794
Preference shares	38	79,899	39,944
Capital reserve	39	98,574	98,574
Investment revaluation reserve		22,258	3,043
Surplus reserve	41	96,567	78,445
General reserve	42	175,021	156,145
Retained earnings		411,401	329,133
Foreign currency translation reserve		17	(629)
Total equity		1,208,531	1,029,449
Total equity and liabilities		17,686,237	15,891,159

Approved and authorized for issue by the Board of Directors on 31 March 2016.

Zhao Huan

Vice Chairman

Lou Wenlong

Executive Director

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55 STATEMENT OF CHANGES IN EQUITY OF THE BANK

	Note IV	Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Total
As at 1 January 2015		324,794	39,944	98,574	3,043	78,445	156,145	329,133	(629)	1,029,449
Profit for the year		-	-	-	-	-	-	180,779	-	180,779
Other comprehensive income		-	-	-	19,215	-	-	-	646	19,861
Total comprehensive income for the year		-	-	-	19,215	-	-	180,779	646	200,640
Issuance of preference shares	38	-	39,955	-	-	-	-	-	-	39,955
Appropriation to surplus reserve	41	-	-	-	-	18,122	-	(18,122)	-	-
Appropriation to general reserve	42	-	-	-	-	-	18,876	(18,876)	-	-
Dividends to ordinary shareholders	10	-	-	-	-	-	-	(59,113)	-	(59,113)
Dividends to preference shareholders	10	-	-	-	-	-	-	(2,400)	-	(2,400)
As at 31 December 2015		324,794	79,899	98,574	22,258	96,567	175,021	411,401	17	1,208,531

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55 STATEMENT OF CHANGES IN EQUITY OF THE BANK (Continued)

	Note IV	Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Total
As at 1 January 2014		324,794	-	98,574	(22,750)	60,542	138,751	242,980	(779)	842,112
Profit for the year		-	-	-	-	-	-	178,939	-	178,939
Other comprehensive income		-	-	-	25,793	-	-	-	150	25,943
Total comprehensive income for the year		-	-	-	25,793	-	-	178,939	150	204,882
Issuance of preference shares	38	-	39,944	-	-	-	-	-	-	39,944
Appropriation to surplus reserve	41	-	-	-	-	17,903	-	(17,903)	-	-
Appropriation to general reserve	42	-	-	-	-	-	17,394	(17,394)	-	-
Dividends to ordinary shareholders	10	-	-	-	-	-	-	(57,489)	-	(57,489)
As at 31 December 2014		324,794	39,944	98,574	3,043	78,445	156,145	329,133	(629)	1,029,449

AGRICULTURAL BANK OF CHINA LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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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 RATIOS

	Three months ended			
	31 March 2015	30 June 2015	30 September 2015	31 December 2015
Average Liquidity Coverage Ratio	140.0%	134.9%	125.4%	127.5%

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
31 December 2015				
Spot assets	651,473	76,506	67,668	795,647
Spot liabilities	(647,679)	(103,726)	(56,023)	(807,428)
Forward purchases	640,006	48,691	62,503	751,200
Forward sales	(644,902)	(16,954)	(99,559)	(761,415)
Net options position	1,470	5	(182)	1,293
Net long position	368	4,522	(25,593)	(20,703)
Net structural position	3,424	5,445	1,445	10,314

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2014				
Spot assets	545,824	61,698	27,918	635,440
Spot liabilities	(564,420)	(82,159)	(36,768)	(683,347)
Forward purchases	432,294	34,327	41,240	507,861
Forward sales	(368,809)	(8,499)	(25,214)	(402,522)
Net options position	(1,330)	6	(398)	(1,722)
Net long position	43,559	5,373	6,778	55,710
Net structural position	3,403	5,302	723	9,428

AGRICULTURAL BANK OF CHINA LIMITED**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**

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3. INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	Official sector	Non-bank private sector	Total
31 December 2015				
Asia Pacific	76,289	16,791	84,691	177,771
- of which attributable to Hong Kong	19,010	13,888	67,530	100,428
Europe	24,437	1,478	18,989	44,904
North and South America	117,738	46,497	173,856	338,091
Africa	396	-	213	609
Total	218,860	64,766	277,749	561,375

	Banks	Official sector	Non-bank private sector	Total
31 December 2014				
Asia Pacific	27,564	12,158	68,101	107,823
- of which attributable to Hong Kong	14,685	11,565	50,961	77,211
Europe	18,009	209	5,259	23,477
North and South America	87,638	37,638	205,896	331,172
Africa	62	-	215	277
Total	133,273	50,005	279,471	462,749

AGRICULTURAL BANK OF CHINA LIMITED**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**

FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts in millions of Renminbi, unless otherwise stated)

4. OVERDUE AND RESCHEDULED ASSETS**(1) Gross amount of overdue loans and advances to customers**

	As at 31 December	
	2015	2014
Overdue		
within 3 months	98,465	73,139
between 3 and 6 months	38,809	27,840
between 6 and 12 months	66,289	28,617
over 12 months	75,949	37,024
Total	279,512	166,620
Percentage of overdue loans and advances to customers in total loans		
within 3 months	1.11%	0.90%
between 3 and 6 months	0.44%	0.35%
between 6 and 12 months	0.74%	0.35%
over 12 months	0.85%	0.46%
Total	3.14%	2.06%

(2) Overdue and rescheduled loans and advances to customers

	As at 31 December	
	2015	2014
Total rescheduled loans and advances to customers	27,919	26,403
Including: rescheduled loans and advances to customers overdue for not more than 3 months	13,644	23,234
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.15%	0.29%

(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 31 December 2015 and 31 December 2014 were not material.