中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

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

Joint Dedication to Build a Beautiful China

2015 Interim Report

Contents

Definitions

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

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

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

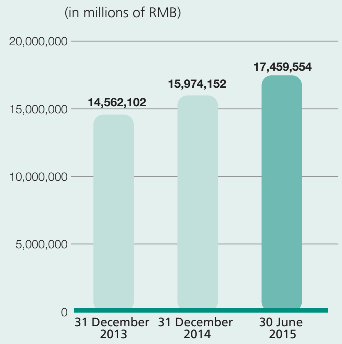
Basic Corporate Information

Legal name in Chinese	中國農業銀行股份有限公司
Abbreviation	中國農業銀行
Legal name in English	AGRICULTURAL BANK OF CHINA LIMITED
Abbreviation	AGRICULTURAL BANK OF CHINA ("ABC")
Legal representative	LIU Shiyu
Authorized representatives	ZHANG Yun ZHANG Keqiu
Board Secretary and Company Secretary	ZHANG Keqiu Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85108557 E-mail: ir@abchina.com
Listing exchange of A shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Listing exchange of H shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Room 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (Stock code)	農行優1 (360001); 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)

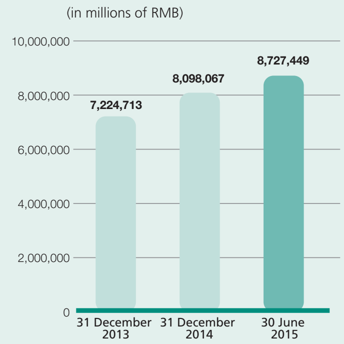
Name of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP
Address	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
Names of the undersigned Accountant	WANG Wei, JIANG Kun
Name of international auditor	PricewaterhouseCoopers
Address	22/F, Prince's 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

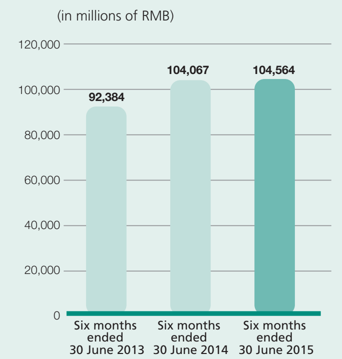
Total assets



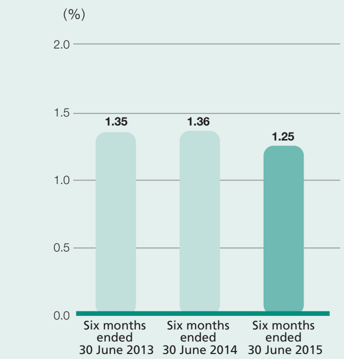
Total loans and advances to customers



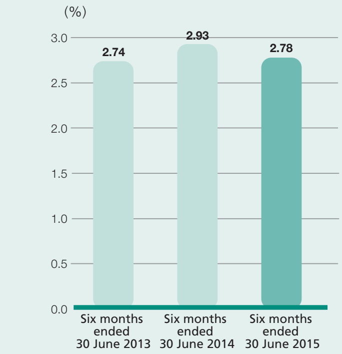
Net profit



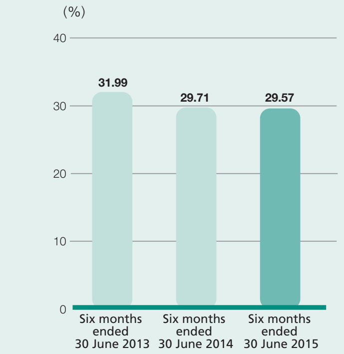
Return on average total assets



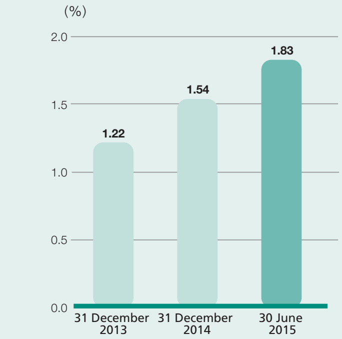
Net interest margin



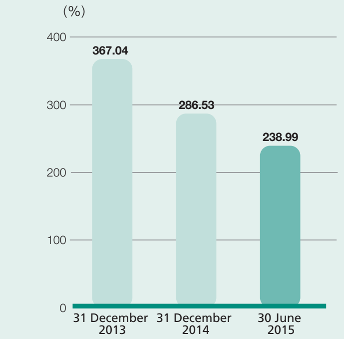
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



(Financial data and indicators recorded in this interim report are prepared in accordance with International Financial Reporting Standards ("IFRSs") and denominated in RMB)

Major Financial Data

	30 June 2015	31 December 2014	31 December 2013
At the end of the reporting period (in millions of RMB)			
Total assets	17,459,554	15,974,152	14,562,102
Total loans and advances to customers	8,727,449	8,098,067	7,224,713
Corporate loans	5,443,632	5,147,410	4,728,857
Discounted bills	259,862	157,349	92,823
Retail loans	2,562,490	2,396,639	2,093,305
Overseas and others	461,465	396,669	309,728
Allowance for impairment losses on loans	381,293	358,071	322,191
Loans and advances to customers, net	8,346,156	7,739,996	6,902,522
Investment in securities and other financial assets, net	4,018,438	3,575,630	3,220,098
Cash and balances with central banks	2,829,814	2,743,065	2,603,802
Deposits and placements with and loans to banks and other financial institutions	1,141,817	979,867	706,333
Financial assets held under resale agreements	647,110	509,418	737,052
Total liabilities	16,337,512	14,941,533	13,717,565
Deposits from customers	13,406,292	12,533,397	11,811,411
Corporate deposits	4,798,881	4,437,283	4,311,407
Retail deposits	7,917,712	7,422,318	6,923,647
Overseas and others	689,699	673,796	576,357
Deposits and placements from banks and other financial institutions	1,650,184	1,056,064	903,717
Financial assets sold under repurchase agreements	98,010	131,021	26,787
Debt securities issued	324,998	325,167	266,261
Equity attributable to equity holders of the Bank	1,120,329	1,031,066	843,108
Net capital[1]	1,440,711	1,391,559	1,074,967
Common Equity Tier 1 (CET1) capital, net[1]	1,034,981	986,206	838,473
Additional Tier 1 capital, net[1]	79,902	39,946	1
Tier 2 capital, net[1]	325,828	365,407	236,493
Risk-weighted assets[1]	11,125,503	10,852,619	9,065,631

	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2013
Interim operating results (in millions of RMB)			
Operating income	276,309	267,909	236,044
Net interest income	219,493	209,438	180,002
Net fee and commission income	47,643	47,848	47,597
Operating expenses	102,309	103,386	94,071
Impairment losses on assets	39,321	28,939	22,471
Total profit	134,679	135,584	119,502
Net profit	104,564	104,067	92,384
Net profit attributable to equity holders of the Bank	104,315	104,032	92,352
Net cash generated from/(used in) operating activities	520,348	479,598	(157,586)

Financial Indicators

	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2013
Profitability (%)			
Return on average total assets[2]	1.25*	1.36*	1.35*
Return on weighted average net assets[3]	19.96*	23.04*	23.22*
Net interest margin[4]	2.78*	2.93*	2.74*
Net interest spread[5]	2.61*	2.77*	2.58*
Return on risk-weighted assets[1, 6]	1.88*	2.00*	2.15*
Net fee and commission income to operating income	17.24	17.86	20.16
Cost-to-income ratio[7]	29.57	29.71	31.99
Data per share (RMB Yuan)			
Basic earnings per share[3]	0.32	0.32	0.28
Diluted earnings per share[3]	0.32	0.32	0.28
Net cash per share generated from/(used in) operating activities	1.60	1.48	(0.49)

	30 June 2015	31 December 2014	31 December 2013
Asset Quality (%)			
Non-performing loan ratio[8]	1.83	1.54	1.22
Allowance to non-performing loans[9]	238.99	286.53	367.04
Allowance to total loans[10]	4.37	4.42	4.46
Capital adequacy (%)			
Common Equity Tier 1 (CET 1) capital adequacy ratio[1]	9.30	9.09	9.25
Tier 1 capital adequacy ratio[1]	10.02	9.46	9.25
Capital adequacy ratio[1]	12.95	12.82	11.86
Risk-weighted assets to total assets ratio[1]	63.72	67.94	62.25
Total equity to total assets ratio	6.43	6.46	5.80
Data per share (RMB Yuan)			
Net assets per share	3.20	3.05	2.60

Notes: 1. Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations. At 30 June 2015 and 31 December 2014, 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 running period, while calculating the credit risk-weighted asset by the Internal Ratings-Based (IRB) approach in the full year, the amount of excess loans 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.
2. Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.
3. Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision in 2010) issued by the CSRC.
4. Calculated by dividing net interest income by the average balances of interest-earning assets.
5. Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
6. Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.
7. Calculated by dividing operating and administrative expenses by operating income under CASs, which is consistent with the figures as stated in the financial report of the Bank prepared in accordance with CASs.
8. Calculated by dividing balance of non-performing loans by total loans and advances to customers.
9. Calculated by dividing allowance for impairment losses on loans by balance of non-performing loans.
10. Calculated by dividing allowance for impairment losses on loans by total loans and advances to customers.
* Annualized figures.

Other Financial Indicators

		Regulatory Standard	30 June 2015	31 December 2014	31 December 2013
Liquidity ratio[1] (%)	RMB	≥25	42.51	44.02	43.57
	Foreign Currency	≥25	77.56	72.49	114.95
Loan-to-deposit ratio[2] (%)	RMB and Foreign Currency	≤75	65.10	64.61	61.17
Percentage of loans to the largest single customer[3] (%)		≤10	6.33	5.23	3.33
Percentage of loans to top ten customers[4] (%)			15.83	14.43	13.22
Loan migration ratio[5] (%)	Normal		2.51	3.60	2.53
	Special mention		12.16	4.99	4.36
	Substandard		86.76	42.53	37.24
	Doubtful		4.98	10.10	8.62

Notes: 1. Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBRC.
2. Calculated by dividing total loans and advances to customers by deposits from customers. The average daily loan-to-deposit ratio of the Bank in the first half of 2015 was 66.85%. At 30 June 2015, loan-to-deposit ratio of RMB was 57.70% calculated in accordance with the relevant regulations of the CBRC.
3. Calculated by dividing loans to the largest single customer by net capital.
4. Calculated by dividing loans to top ten customers by net capital.
5. Calculated in accordance with the relevant regulations of the CBRC by using domestic data.

Chairman's Statement

The interim report of Agricultural Bank of China for the first half of 2015 are announced with approval from the Board of Directors.

In the first half of the year, with the strong support of the shareholders and society, the Bank was committed to making progress through steady development in line with the major policies of the Chinese government on economic development. Efforts were made to ensure the Bank's stable operation, risk prevention and control, full support for the real economy, and further strengthening of its County Area Banking Business. As a result, the Bank achieved steady overall business development.

Currently, global economic development remains unstable and uncertain. China's economy is still confronted with great downward pressure, and the economic and financing restructuring continues to be a long-term and difficult task. In the face of various challenges such as increasing non-performing loans and slowing profit growth, the Bank has a difficult task of preventing and controlling business risks. The Bank believes that the consistency and stability of macro-economic policies of China, and the implementation of policies and measures for maintaining steady growth, facilitating reforms, restructuring economy and improving people's livelihood, will bring new development opportunities to the Bank and the financial industry. To this end, the Bank is putting more effort into deeply understanding and actively adapting to the "new normal" economic development, so as to grasp business opportunities and serve the public. While improving its service efficiency and market competitiveness, the Bank will more resolutely and vigorously govern itself in accordance with laws and regulations, so as to benefit from efficient management and reform.

On behalf of the Board of Directors and over 500,000 staff members, I hereby express my heartfelt gratitude for the support of the shareholders and society.

Chairman: LIU Shiyu
27 August 2015

Confronted with the "new normal" economy, the banking industry had to keep up with the trend of development driven by innovation and transformation. In the first half of 2015, in line with the major strategies and industrial layout of China, the Bank achieved steady development of each of our businesses by seizing opportunities, promoting innovation, preventing risks and strengthening our management basis while serving the real economy. Our total assets realized a steady growth and the overall asset quality maintained overall stability, with our net profit amounting to RMB104,564 million. Our capital strength and value creation capability were further enhanced and our regulatory indicators were overall satisfactory.

Adjusted and refined credit structure and focused on serving the real economy. In line with the "Four Key Regions" (developing the western region, revitalizing the north-east region, boosting the rise of the central region and supporting the leading position of the eastern region) and the "Three Key Strategies" of China, we increased our loans to Sannong as well as major industries, projects and customers. Loans to County Areas increased by RMB161.8 billion. Loans to projects under the national economic stimulus policy such as transportation and urban infrastructure increased by RMB220.0 billion, representing 74% of the increase in corporate loans. With the adoption of diversified financing tools such as issuance of bonds, wealth management products and industrial funds, RMB298.9 billion was financed to major projects, representing an increase of RMB94.4 billion as compared with the corresponding period of the previous year. We actively explored the small and micro enterprises and consumption credit markets, and the balance of loans to small and micro enterprises amounted to more than RMB1 trillion.

Accelerated establishment of our emerging business system and fostered new growth points. We continued to put effort in financial market businesses. Our RMB and foreign currency investment scale increased by RMB251.3 billion as compared with the corresponding period of the previous year in terms of increase amount. The yield on non-restructuring-related debt securities investments maintained a leading position among our peers. Businesses such as bond underwriting, high-end investment banking, electronic banking, credit card and bancassurance maintained rapid growth momentum. Cross-border finance and free trade zone finance developed steadily. The growth rates of total assets and net profit of overseas institutions amounted to 24.2% and 22.8%, respectively, with total assets exceeding USD100.0 billion for the first time. Integrated business operations were expedited. Total assets of our five integrated business subsidiaries increased by 31.6%, and their net profit increased by 72.4% as compared with the corresponding period of the previous year.

Reinforced credit risk management and maintained stable asset quality. At the end of June 2015, non-performing loans amounted to RMB159.5 billion and non-performing loan ratio was 1.83%, which were within our target range in general. The allowance to non-performing loans and the allowance to total loans were 238.99% and 4.37%, respectively, reflecting our strong risk resistance capability.

Improved operation and management efficiency and strengthened foundation business development. We specified the three-level management responsibilities of branch outlets and commenced the integration of the counter businesses. We updated and improved our internal control rules. Efforts were also made to strengthen the security of our IT system and "Safe ABC" construction. As a result, the refinement level of operation management, IT and case prevention were overall improved to ensure safe and healthy business operations.

It is a critical time to meet challenges with great courage. The Bank will continue to adhere to the fundamentals of making progress through steady development and further intensify the reform of County Area Banking Division to consolidate and enhance the fundamental role of County Area Banking Business. In accordance with the new-type urbanization and urban cluster development strategies of China, we will accelerate the development of urban businesses and actively explore new businesses and new markets. We will also consolidate our management and maintain our risk limit to achieve sound, coordinated and sustainable growth.

President: ZHANG Yun
27 August 2015

Environment and Prospects

In the first half of 2015, the global economy continued to recover moderately in general. After an unexpected decline in the first quarter, the U.S. economy resumed its recovery and saw a record low unemployment rate since the financial crisis. Although the Eurozone had stepped out from the shadow of economic downturn, the Greek debt crisis remained a threat to the region. The recovery of Japan economy was better than expected but the economic fundamentals remained fragile. The emerging market economies were under the pressure of economic slowdown and capital outflow. Some resource exporters had stagflation pressure due to strong USD and falling commodity prices.

In the first half of 2015, the GDP of China recorded a year-on-year growth of 7%, a decrease of 0.4 percentage point as compared to the previous year. However, key economic indicators showed a month-on-month growth recovery since the second quarter of the year. The growth of fixed asset investment and total retail sales recovered continuously in May and June. The growth rate of exports returned to positive in June. China's economic restructuring was accelerated in the first half of the year as the contribution of the tertiary sector to GDP increased by 2.1 percentage points as compared to the corresponding period of the previous year. The trend of transforming industry-leading economy into service-leading economy continued. The contribution of consumption to economic growth grew by 5.7 percentage points as compared to the corresponding period of the previous year. The growth rate of household income outpaced that of the GDP and the income distribution structure was further improved.

In the first half of 2015, the PRC government timely and moderately fine-tuned and pre-emptively adjusted macro-economic policies while maintaining their continuity and stability. The fiscal policies were more proactive and effective and the monetary policies were more elastic and prudent. After three rounds of interest rate cuts and three reductions in deposit reserve ratio with general and targeted methods, the market liquidity was relatively loose. Both money supply (M2) and total social financing maintained stable growth. The deposit insurance system was implemented. The ceiling of deposit interest rate floating range was expanded. The registration system for asset securitization and the pilot program of certificates of deposits were launched. The regulations on internet finance were promulgated.

Looking forward to the second half of the year, it is expected that the global major economies will continuously experience differentiated recovery trend and adopt different monetary policies. The Chinese economy is expected to be stabilized and recovered. The key effect of investment on stabilizing economic growth will be increasingly significant while consumption will also continue to play a fundamental supporting role to the economy. It is expected that the economic growth will meet the target of 7% for the year. The three regional economic strategies of developing "One Belt and One Road", "Beijing-Tianjin-Hebei Region" and "Yangtze Economic Belt" were implemented and the specialized plans and implementation measures on economic development strategies of "Made in China 2025", "Internet +" and "innovation-driven development" were introduced, which will bring significant development opportunities to commercial banks for business operations and structural adjustments. In respect of monetary and regulatory policies, it is expected that the PBOC will continue its neutral and moderate monetary policies and support the real economy by reducing financing cost. In addition, the PBOC is expected to optimize the banks' credit allocation and regulate the liquidity of banking system through various tools of open market operation, short-term liquidity operation (SLO), medium-term lending facility (MLF). It is expected that the regulatory authorities will continue to strengthen its supervision and guidance in respect of the implementation of Basel III, supporting Sannong and small and micro enterprises as well as the management of credit risk and operational risk.

Financial Statement Analysis

Income statement Analysis

In the first half of 2015, we recorded a net profit of RMB104,564 million, representing an increase of RMB497 million, or 0.5%, compared to the corresponding period of the previous year. This was primarily due to the increase in net interest income.

Changes of Key Income Statement Items

In millions of RMB, except for percentages

Item	Six months ended 30 June 2015	Six months ended 30 June 2014	Increase/ (decrease)	Growth rate (%)
Net interest income	219,493	209,438	10,055	4.8
Net fee and commission income	47,643	47,848	(205)	-0.4
Other non-interest income	9,173	10,623	(1,450)	-13.6
Operating income	**276,309**	**267,909**	**8,400**	**3.1**
Less: Operating expenses	102,309	103,386	(1,077)	-1.0
Impairment losses on assets	39,321	28,939	10,382	35.9
Profit before tax	134,679	135,584	(905)	-0.7
Less: Income tax expense	30,115	31,517	(1,402)	-4.4
Net Profit	**104,564**	**104,067**	**497**	**0.5**
Attributable to:				
Equity holders of the Bank	104,315	104,032	283	0.3
Non-controlling interests	249	35	214	611.4

Net Interest Income

In the first half of 2015, net interest income was the most significant component of our operating income, accounting for 79.4%. In the first half of 2015, our net interest income was RMB219,493 million, representing an increase of RMB10,055 million compared to the corresponding period of the previous year. Growth in the volume of interest-earning assets resulted in an increase of RMB23,930 million, partially offset by a decrease of RMB13,875 million related to changes in interest rates. In the first half of 2015, our net interest margin and net interest spread was 2.78% and 2.61%, respectively, representing decreases of 15 basis points and 16 basis points, compared to the corresponding period of the previous year. The decreases in net interest margin and net interest spread were primarily due to the consecutive reduction of interest rates by the PBOC, the relative decline in the yield of lending compared to the corresponding period of the previous year and the increase in our capital costs.

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income /expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	8,459,744	242,737	5.79	7,556,699	227,126	6.01
Debt securities investments[1]	3,411,844	69,652	4.12	3,040,574	59,246	3.90
Non-restructuring-related debt securities	3,040,230	63,993	4.24	2,585,220	52,189	4.04
Restructuring-related debt securities[2]	371,614	5,659	3.07	455,354	7,057	3.10
Balances with central banks	2,566,774	20,112	1.58	2,474,564	19,524	1.58
Amounts due from banks and other financial institutions[3]	1,459,026	31,329	4.33	1,213,487	31,936	5.26
Total interest-earning assets	**15,897,388**	**363,830**	**4.62**	**14,285,324**	**337,832**	**4.73**
Allowance for impairment losses[4]	(373,667)			(332,204)		
Non-interest-earning assets[4]	945,819			822,972		
Total assets	16,469,540			14,776,092		
Liabilities						
Deposits from customers	12,655,072	118,098	1.88	11,796,548	106,491	1.81
Amount due to banks and other financial insitutions[5]	1,448,169	19,238	2.68	1,063,572	17,161	3.23
Other interest-bearing liabilities[6]	409,865	7,001	3.44	267,377	4,742	3.55
Total interest-bearing liabilities	**14,513,106**	**144,337**	**2.01**	**13,127,497**	**128,394**	**1.96**
Non-interest-bearing liabilities[4]	959,542			853,564		
Total liabilities	15,472,648			13,981,061		
Net interest income		**219,493**			**209,438**	
Net interest spread			**2.61**			**2.77**
Net interest margin			**2.78**			**2.93**

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

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

In millions of RMB

	Increase/(decrease) due to		Net increase/
	Volume	Interest rate	(decrease)
Assets			
Loans and advances to customers	25,911	(10,300)	15,611
Debt securities investments	7,579	2,827	10,406
Balances with central banks	723	(135)	588
Amounts due from banks and other financial institutions	5,272	(5,879)	(607)
Changes in interest income	39,485	(13,487)	25,998
Liabilities			
Deposits from customers	8,012	3,595	11,607
Amounts due to banks and other financial institutions	5,109	(3,032)	2,077
Other interest-bearing liabilities	2,434	(175)	2,259
Changes in interest expense	15,555	388	15,943
Changes in net interest income	**23,930**	**(13,875)**	**10,055**

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

Interest Income

We recorded interest income of RMB363,830 million in the first half of 2015, representing an increase of RMB25,998 million over the corresponding period of the previous year. The increase in interest income was primarily due to the increase in the average balances of interest-earning assets by RMB1,612,064 million, partially offset by the decrease of 11 basis points in average yield of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB15,611 million, or 6.9%, over the corresponding period of the previous year to RMB242,737 million. The increase in interest income was primarily due to the increase of RMB903,045 million in the average balances, partially offset by the decrease of 22 basis points in the average yield.

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Average balance	Interest income	Average yield[1](%)	Average balance	Interest income	Average yield[1](%)
Corporate loans	5,344,589	159,383	6.01	4,914,365	152,941	6.22
Short-term corporate loans	2,263,190	64,523	5.75	2,207,731	66,856	6.06
Medium- and long-term corporate loans	3,081,399	94,860	6.21	2,706,634	86,085	6.36
Discounted bills	202,919	4,879	4.85	80,137	2,673	6.67
Retail loans	2,471,816	71,983	5.87	2,205,644	66,410	6.02
Overseas and others	440,420	6,492	2.97	356,553	5,102	2.86
Total loans and advances to customers	**8,459,744**	**242,737**	**5.79**	**7,556,699**	**227,126**	**6.01**

Note: 1. Annualized figures.

Interest income from corporate loans increased by RMB6,442 million, or 4.2%, to RMB159,383 million compared to the corresponding period of the previous year. The increase was primarily due to an increase of RMB430,224 million in the average balance of corporate loans, partially offset by a decrease of 21 basis points in the average yield. Interest income from retail loans increased by RMB5,573 million, or 8.4%, to RMB71,983 million compared to the corresponding period of the previous year. The increase was largely due to the increase of RMB266,172 million in the average balance of retail loans, partially offset by the decrease of 15 basis points in the average yield. The decrease in the average yield was principally due to the re-pricing of loans, related to four consecutive reductions of interest rates by the PBOC since November 2014. Further, these interest rate reductions also resulted in lower interest rates for newly originated loans.

Interest income from discounted bills increased by RMB2,206 million, or 82.5%, to RMB4,879 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB122,782 million in the average balances, partially offset by the decrease of 182 basis points in the average yield.

Interest income from overseas and other loans increased by RMB1,390 million, or 27.2%, to RMB6,492 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB83,867 million in the average balances and the increase of 11 basis points in the average yield. The increase in the average balance was largely due to the rapid growth in loans granted by our overseas branches.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In the first half of 2015, interest income from debt securities investments increased by RMB10,406 million to RMB69,652 million compared to the corresponding period of the previous year. The increase was primarily due to an increase of RMB371,270 million in the average balances and 22 basis points in the average yield. The increase in the average yield was primarily because we increased our investments in debt securities market during the times with higher yield and further refined our investment portfolio, resulting in the increase in overall yield of non-restructuring-related debt securities compared to the corresponding period of the previous year.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB588 million to RMB20,112 million compared to the corresponding period of the previous year. The increase was largely due to the increase of RMB92,210 million in the average balances.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions decreased by RMB607 million to RMB31,329 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of 93 basis points in the average yield, partially offset by an increase of RMB245,539 million in the average balance. The decrease in the average yield was primarily due to the decrease in the yield of lending business resulting from the reduction of the market interest rate.

Interest Expense

Interest expense increased by RMB15,943 million to RMB144,337 million compared to the corresponding period of the previous year. The increase was mainly due to the increase of RMB1,385,609 million in the average balances and 5 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB11,607 million to RMB118,098 million compared to the corresponding period of the previous year. The increase was mainly due to the increase of RMB858,524 million in the average balance and 7 basis points in the average cost. The increase in the average cost was primarily the result of (i) growth in the proportion of time deposits; and (ii) a moderate increase in the interest rates paid on deposits, consistent with our deposit business development strategies and in response to market competition.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

Item	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Average balance	Interest expense	Average cost[1] (%)	Average balance	Interest expense	Average cost[1] (%)
Corporate deposits						
Time	1,935,273	31,984	3.33	1,712,334	28,379	3.31
Demand	2,943,796	10,309	0.71	2,885,929	10,218	0.71
Sub-Total	4,879,069	42,293	1.75	4,598,263	38,597	1.68
Retail deposits						
Time	4,188,180	69,434	3.34	3,716,348	61,694	3.32
Demand	3,587,823	6,371	0.36	3,481,937	6,200	0.36
Sub-Total	7,776,003	75,805	1.97	7,198,285	67,894	1.89
Total deposits from customers	**12,655,072**	**118,098**	**1.88**	**11,796,548**	**106,491**	**1.81**

Note: 1. Annualized figures.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB2,077 million to RMB19,238 million compared to the corresponding period of the previous year. The increase was primarily due to that of RMB384,597 million in the average balances, partially offset by a decrease of 55 basis points in the average cost. The decrease in the average cost was primarily related to the increase of the low-cost deposits from bank and other financial institutions for the purpose of settlement and our strict control of the scale of high-cost deposits from bank and other financial institutions, which effectively reduced the borrowing cost.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB2,259 million to RMB7,001 million compared to the corresponding period of the previous year, primarily due to the increase of RMB142,488 million in the average balances, partially offset by the decrease of 11 basis points in the average cost. The increase in the average balance was mainly due to the issuance of Standing Lending Facility (SLF) by the PBOC as well as the issuance of medium-term notes and certificates of deposit by overseas branches. The decrease in the average cost was mainly because the interest rates of the medium-term notes and certificates of deposit issued by overseas branches were relatively low.

Net Fee and Commission Income

In the first half of 2015, we generated net fee and commission income of RMB47,643 million, representing a decrease of RMB205 million, or 0.4%, compared to the corresponding period of the previous year.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2015	Six months ended 30 June 2014	Increase/ (decrease)	Growth rate (%)
Agency commissions	16,153	13,237	2,916	22.0
Settlement and clearing fees	9,492	12,383	(2,891)	-23.3
Bank card fees	10,408	9,261	1,147	12.4
Consultancy and advisory fees	6,450	7,876	(1,426)	-18.1
Electronic banking service fees	4,375	3,855	520	13.5
Custodian and other fiduciary service fees	1,679	2,077	(398)	-19.2
Credit commitment fees	1,496	1,637	(141)	-8.6
Others	107	115	(8)	-7.0
Fee and commission income	**50,160**	**50,441**	**(281)**	**-0.6**
Less: Fee and commission expenses	2,517	2,593	(76)	-2.9
Net fee and commission income	**47,643**	**47,848**	**(205)**	**-0.4**

Agency commissions increased by RMB2,916 million, or 22.0%, to RMB16,153 million compared to the corresponding period of the previous year. The increase was mainly due to the rapid increase in income from our bancassurance business, agency distribution of fund products, and fees from wealth management products managed on behalf of customers.

Settlement and clearing fees decreased by RMB2,891 million, or 23.3%, to RMB9,492 million compared to the corresponding period of the previous year. The decrease was mainly due to the decrease in the income from our settlement and clearing activities, resulting from the downward adjustment of settlement and clearing service fee in accordance with relevant regulatory policies regarding the level of service fees.

Bank card fees increased by RMB1,147 million, or 12.4%, to RMB10,408 million compared to the corresponding period of the previous year. The increase was mainly due to the rapid growth in income from bank card instalment arrangements and bank card consumption.

Consultancy and advisory fees decreased by RMB1,426 million, or 18.1%, to RMB6,450 million compared to the corresponding period of the previous year. The decrease was primarily due to that in income from investment banking business.

Electronic banking service fees increased by RMB520 million, or 13.5%, to RMB4,375 million compared to the corresponding period of the previous year. The increase was primarily due to the rapid growth in income from e-commerce banking and message notification services.

Custodian and other fiduciary service fees decreased by RMB398 million, or 19.2%, to RMB1,679 million compared to the corresponding period of the previous year. The decrease was mainly due to that in income from trading and special fund custodian business as affected by the changes in regulatory policies.

Credit commitment fees decreased by RMB141 million, or 8.6%, to RMB1,496 million compared to the corresponding period of the previous year. The decrease was mainly related to our offering discounts or waivers of fees to corporate customers, as well as cancelling certain loan guarantee and commitment fees.

Other Non-interest Income

In the first half of 2015, other non-interest income amounted to RMB9,173 million, representing a decrease of RMB1,450 million compared to the corresponding period of the previous year.

The net trading gain amounted to RMB688 million, representing a decrease of RMB2,110 million compared to the corresponding period of the previous year, which was primarily due to the decrease in net gain from derivative financial instruments.

The net gain on financial instruments designated at fair value through profit or loss amounted to RMB966 million, representing an increase of RMB433 million compared to the corresponding period of the previous year, which was largely related to the increase in net gain from principal guaranteed wealth management products.

The net gain on investment securities amounted to RMB801 million, representing an increase of RMB776 million compared to the corresponding period of the previous year, which was primarily due to the increase in securities investment gains from subsidiaries.

Other operating income amounted to RMB6,718 million, representing a decrease of RMB549 million over the corresponding period of the previous year. The decrease was largely due to a decrease in gain from foreign exchange activities and an increase in the amount of premium ceded by our subsidiary, ABC Life Insurance Co., Ltd..

Composition of Other Non-Interest Income

In millions of RMB

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Net trading gain	688	2,798
Net gain on financial instruments designated at fair value through profit or loss	966	533
Net gain on investment securities	801	25
Other operating income	6,718	7,267
Total	**9,173**	**10,623**

Operating Expenses

Our operating expenses amounted to RMB102,309 million, representing a decrease of RMB1,077 million compared to the corresponding period of the previous year. Staff costs amounted to RMB53,679 million, general operating and administrative expenses amounted to RMB17,757 million, business tax and surcharges amounted to RMB15,059 million, depreciation and amortization amounted to RMB9,627 million, representing an increase of RMB1,029 million, RMB512 million, RMB602 million and RMB293 million, respectively, compared to the corresponding period of the previous year. Insurance benefits and claims amounted to RMB4,476 million, provision for guarantees and commitments expenses amounted to RMB1,343 million and other expenses amounted to RMB368 million, representing a decrease of RMB413 million, RMB2,998 million and RMB102 million, respectively, compared to the corresponding period of the previous year. The cost-to-income ratio was 29.57%, representing a decrease of 0.14 percentage point compared to the corresponding period of the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	Six months ended 30 June 2015	Six months ended 30 June 2014	Increase/ (decrease)	Growth rate (%)
Staff costs	53,679	52,650	1,029	2.0
General operating and administrative expenses	17,757	17,245	512	3.0
Business tax and surcharges	15,059	14,457	602	4.2
Depreciation and amortization	9,627	9,334	293	3.1
Insurance benefits and claims	4,476	4,889	(413)	-8.4
Provision for guarantees and commitments	1,343	4,341	(2,998)	-69.1
Others	368	470	(102)	-21.7
Total	**102,309**	**103,386**	**(1,077)**	**-1.0**

Impairment Losses on Assets

In the first half of 2015, impairment losses on assets increased by RMB10,382 million to RMB39,321 million compared to the corresponding period of the previous year.

Impairment losses on loans increased by RMB11,789 million to RMB38,874 million compared to the corresponding period of the previous year, primarily related to our accrual of more allowance for impairment losses on loans assessed on an individual basis compared to the corresponding period of the previous year.

Income Tax Expense

In the first half of 2015, our income tax expense amounted to RMB30,115 million. The effective tax rate was 22.36%, which was lower than the statutory tax rate of 25%. This was primarily because the interest income derived from the PRC treasury bonds held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Information

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

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

In millions of RMB, except for percentages

	Six months ended 30 June 2015		Six months ended 30 June 2014	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Corporate banking business	145,429	52.6	145,752	54.4
Retail banking business	102,529	37.1	96,009	35.8
Treasury business	21,110	7.7	19,127	7.2
Other business	7,241	2.6	7,021	2.6
Total operating income	**276,309**	**100.0**	**267,909**	**100.0**

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

In millions of RMB, except for percentages

	Six months ended 30 June 2015		Six months ended 30 June 2014	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	31,463	11.4	32,324	12.1
Yangtze River Delta	54,330	19.7	50,822	19.0
Pearl River Delta	36,253	13.1	35,638	13.3
Bohai Rim	42,550	15.4	40,819	15.2
Central China	35,241	12.7	34,797	13.0
Western China	57,811	20.9	55,643	20.8
Northeastern China	9,825	3.6	9,508	3.5
Overseas and others	8,836	3.2	8,358	3.1
Total operating income	**276,309**	**100.0**	**267,909**	**100.0**

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2015		Six months ended 30 June 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	103,244	37.4	98,647	36.8
Urban Area Banking Business	173,065	62.6	169,262	63.2
Total operating income	**276,309**	**100.0**	**267,909**	**100.0**

Balance Sheet Analysis

Assets

At 30 June 2015, our total assets amounted to RMB17,459,554 million, representing an increase of RMB1,485,402 million, or 9.3%, compared to the end of the previous year. Among this, net loans and advances to customers increased by RMB606,160 million, or 7.8%. Net investment in securities and other financial assets increased by RMB442,808 million, or 12.4%. Cash and balances with central banks increased by RMB86,749 million, or 3.2%. Deposits and placements with and loans to banks and other financial institutions increased by RMB161,950 million, or 16.5%. Financial assets held under resale agreements increased by RMB137,692 million, or 27.0%, primarily due to the increase in the amount of lending as a result of the sufficiency of our capital in the first half of the year.

Key Items of Assets

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	8,727,449	—	8,098,067	—
Less: Allowance for impairment losses on loans	381,293	—	358,071	—
Loans and advances to customers, net	8,346,156	47.8	7,739,996	48.4
Investment in securities and other financial assets, net	4,018,438	23.0	3,575,630	22.4
Cash and balances with central banks	2,829,814	16.2	2,743,065	17.2
Deposits and placements with and loans to banks and other financial institutions	1,141,817	6.6	979,867	6.1
Financial assets held under resale agreements	647,110	3.7	509,418	3.2
Others	476,219	2.7	426,176	2.7
Total assets	**17,459,554**	**100.0**	**15,974,152**	**100.0**

Loans and Advances to Customers

At 30 June 2015, our total loans and advances to customers amounted to RMB8,727,449 million, representing an increase of RMB629,382 million, or 7.8%, compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Line

In millions of RMB, except for percentages

	30 June 2015		31 December 2014	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	8,265,984	94.7	7,701,398	95.1
Corporate loans	5,443,632	62.4	5,147,410	63.6
Discounted bills	259,862	3.0	157,349	1.9
Retail loans	2,562,490	29.3	2,396,639	29.6
Overseas and others	461,465	5.3	396,669	4.9
Total	**8,727,449**	**100.0**	**8,098,067**	**100.0**

Corporate loans amounted to RMB5,443,632 million, representing an increase of RMB296,222 million, or 5.8%, compared to the end of the previous year, primarily related to our more intense efforts to serve the real economy and proactively support the implementation of the three-region economic strategies of developing "One Belt and One Road", "Beijing-Tianjin-Hebei Region" and "Yangtze Economic Belt". We provided more credit support to key government projects under construction and continued construction, emerging strategic industries, modern service industries, national infrastructure construction and small and micro enterprises to ensure stable growth of corporate loans.

Retail loans amounted to RMB2,562,490 million, representing an increase of RMB165,851 million, or 6.9%, compared to the end of the previous year, primarily because we continued the strategy of prioritizing the development of retail loan business through actively marketing the high quality customer, promoting new retail loan products and improving retail financing service quality, resulting in a rapid growth in retail residential mortgage loans and loans to rural households.

Discounted bills amounted to RMB259,862 million, representing an increase of RMB102,513 million, or 65.2%, compared to the end of the previous year, primarily due to the expansion of our rediscount business.

Overseas and other loans amounted to RMB461,465 million, representing an increase of RMB64,796 million, or 16.3%, compared to the end of the previous year, primarily related to the rapid growth of the credit activities of our overseas branches.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2015 Amount	30 June 2015 Percentage (%)	31 December 2014 Amount	31 December 2014 Percentage (%)
Short-term corporate loans	2,311,679	42.5	2,203,208	42.8
Medium- and long-term corporate loans	3,131,953	57.5	2,944,202	57.2
Total	**5,443,632**	**100.0**	**5,147,410**	**100.0**

At 30 June 2015, our short-term corporate loans increased by RMB108,471 million, or 4.9%, compared to the end of the previous year. Medium- and long-term corporate loans increased by RMB187,751 million, or 6.4%, compared to the end of the previous year, with its proportion to the 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	30 June 2015 Amount	30 June 2015 Percentage (%)	31 December 2014 Amount	31 December 2014 Percentage (%)
Manufacturing	1,430,913	26.3	1,391,090	27.0
Production and supply of power, heat, gas and water	575,193	10.6	528,725	10.3
Real estate	596,993	11.0	581,072	11.3
Transportation, logistics and postal services	844,011	15.5	756,578	14.7
Wholesale and retail	535,252	9.8	530,896	10.3
Water, environment and public utilities management	207,872	3.8	207,977	4.0
Construction	222,211	4.1	207,823	4.0
Mining	258,147	4.7	255,099	5.0
Leasing and commercial services	457,471	8.4	395,085	7.7
Finance	77,092	1.4	55,881	1.1
Information transmission, software and IT services	15,002	0.3	16,785	0.3
Others	223,475	4.1	220,399	4.3
Total	**5,443,632**	**100.0**	**5,147,410**	**100.0**

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

At 30 June 2015, the five major industries of our corporate loans included: (1) manufacturing; (2) transportation, logistics and postal services; (3) real estate; (4) production and supply of power, heat, gas and water; and (5) wholesale and retail. Aggregate loans to the five major industries accounted for 73.2% of our total corporate loans, representing a decrease of 0.4 percentage point compared to the end of the previous year. The industries with the largest increase in proportion to our total corporate loans were transportation, logistics and postal services and leasing and commercial services, while manufacturing recorded the largest decrease in proportion to total corporate loans.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2015		31 December 2014	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Residential mortgage loans	1,715,119	66.9	1,550,673	64.7
Personal consumption loans	196,617	7.7	204,044	8.5
Loans to private businesses	249,681	9.7	263,085	11.0
Credit card overdraft	228,739	8.9	222,865	9.3
Loans to rural households	171,137	6.7	154,609	6.4
Others	1,197	0.1	1,363	0.1
Total	**2,562,490**	**100.0**	**2,396,639**	**100.0**

Our residential mortgage loans amounted to RMB1,715,119 million, representing an increase of RMB164,446 million, or 10.6%, compared to the end of the previous year. The steady growth in residential mortgage loans was primarily related to our focus on financing the sales of new houses to high quality customers in response to the decrease of benchmark interest rate by the PBOC and gradual increase in demand of residential properties.

Personal consumption loans amounted to RMB196,617 million, representing a decrease of RMB7,427 million, or 3.6%, compared to the end of the previous year. The slight decrease in personal consumption loan was primarily related to our refinement products and customer profile, as well as strengthened post-disbursement management of personal consumption loans.

Loans to private businesses amounted to RMB249,681 million, representing a decrease of RMB13,404 million, or 5.1%, compared to the end of the previous year, primarily because we further regulated loans to private businesses and strengthened post-disbursement management and risk control, resulting in the decrease of the loans to private businesses.

Credit card overdraft amounted to RMB228,739 million, representing an increase of RMB5,874 million, or 2.6%, compared to the end of the previous year, primarily due to our great efforts in expanding the scope of credit card services, promoting the credit card issuance and instalment payment activities, which resulted in the stable increase in the number of credit cards issued and credit card consumption.

Loans to rural households amounted to RMB171,137 million, representing an increase of RMB16,528 million, or 10.7%, compared to the end of the previous year, mainly because we continuously promoted the business transformation of loans to rural households and accelerated business innovation, adjusted and optimized our products and customer profile and strengthened the credit management, which resulted in a stable growth of the loans to rural households.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

	30 June 2015		31 December 2014	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	184,517	2.1	147,721	1.8
Yangtze River Delta	2,041,811	23.4	1,918,523	23.7
Pearl River Delta	1,203,308	13.8	1,110,104	13.7
Bohai Rim	1,452,948	16.6	1,382,065	17.1
Central China	1,092,373	12.5	1,019,212	12.6
Northeastern China	346,255	4.0	314,039	3.9
Western China	1,944,772	22.3	1,809,734	22.3
Overseas and others	461,465	5.3	396,669	4.9
Total	**8,727,449**	**100.0**	**8,098,067**	**100.0**

During the reporting period, we continuously refined the regional profile of this loan portfolio. In line with national key regional economic development and the establishment of free trade zone, we gave priority to allocating credit resources to Central and Western China and traditional industries in Northeastern China appropriately while we provided more credit support in Yangtze River Delta, Pearl River Delta and Bohai Rim. We further improved the differentiated credit policy management among regions.

Investments

At 30 June 2015, our net investment in securities and other financial assets amounted to RMB4,018,438 million, representing an increase of RMB442,808 million as compared to the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

Item	30 June 2015 Amount	30 June 2015 Percentage (%)	31 December 2014 Amount	31 December 2014 Percentage (%)
Non-restructuring-related debt securities	3,317,154	82.5	2,859,170	80.0
Restructuring-related debt securities	371,614	9.2	371,614	10.4
Equity instruments	6,158	0.2	4,000	0.1
Others[1]	323,512	8.1	340,846	9.5
Total	**4,018,438**	**100.0**	**3,575,630**	**100.0**

Note: 1. Others primarily include the assets generated by the investment of the proceeds from the issuance of wealth management products.

At 30 June 2015, non-restructuring-related debt securities investments increased by RMB457,984 million over the end of the previous year.

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

In millions of RMB, except for percentages

Item	30 June 2015 Amount	30 June 2015 Percentage (%)	31 December 2014 Amount	31 December 2014 Percentage (%)
Government bonds	793,160	23.9	693,588	24.3
PBOC bills	20,919	0.6	20,625	0.7
Bonds issued by policy banks	1,439,862	43.4	1,364,811	47.7
Bonds issued by other banks and financial institutions	447,939	13.5	255,140	8.9
Bonds issued by entities in public sectors and quasi-governments	154,953	4.7	125,381	4.4
Corporate bonds	460,321	13.9	399,625	14.0
Total	**3,317,154**	**100.0**	**2,859,170**	**100.0**

In the first half of 2015, we further optimized the structure of our bond portfolio according to the market change. At 30 June 2015, the proportion of bonds issued by other banks and financial institutions increased by 4.6 percentage points, mainly due to the increase of investments in inter-bank certificates of deposits.

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

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	1	—	1	—
Less than 3 months	180,725	5.5	152,080	5.3
3-12 months	508,395	15.3	386,888	13.5
1-5 years	1,695,966	51.1	1,471,887	51.5
More than 5 years	932,067	28.1	848,314	29.7
Total	**3,317,154**	**100.0**	**2,859,170**	**100.0**

In the first half of 2015, the maturity structure of our debt securities portfolio was generally balanced. We seized on market interest rate fluctuations to adjust medium- and long-term debt securities investments accordingly to obtain higher yields. In the meantime, we properly increased investment in short-term bonds to maintain the liquidity of the portfolio.

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

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,217,366	97.0	2,787,707	97.5
USD	78,663	2.4	55,055	1.9
Other foreign currencies	21,125	0.6	16,408	0.6
Total	**3,317,154**	**100.0**	**2,859,170**	**100.0**

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit and loss[1]	399,935	10.0	414,660	11.6
Available-for-sale financial assets	1,002,482	24.9	927,903	26.0
Held-to-maturity Investments	2,064,944	51.4	1,710,950	47.8
Debt instruments classified as receivables	551,077	13.7	522,117	14.6
Total	**4,018,438**	**100.0**	**3,575,630**	**100.0**

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

Investment in Financial Bonds

Financial bonds refer to the securities issued by policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. At 30 June 2015, the balance of our financial bonds was RMB1,887,801 million.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 30 June 2015.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2014 policy bank bonds	18,700	5.44%	2019/4/8	—
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	11,465	3.99%	2025/2/9	—
2013 policy bank bonds	11,200	3.98%	2016/7/18	—
2015 policy bank bonds	11,160	4.02%	2020/1/14	—
2013 policy bank bonds	10,471	4.17%	2023/7/18	—
2014 policy bank bonds	10,300	5.75%	2019/1/14	—
2013 policy bank bonds	10,000	5.85%	2016/2/10	—
2013 policy bank bonds	10,000	5.87%	2017/8/12	—

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

Liabilities

At 30 June 2015, our total liabilities increased by RMB1,395,979 million, or 9.3%, over the end of the previous year to RMB16,337,512 million. Among this, deposits from customers increased by RMB872,895 million, or 7.0%, while deposits and placements from banks and other financial institutions increased by RMB594,120 million, or 56.3%, mainly because of the increase in security deposits due to the surge in capital market in the first half of the year. Financial assets sold under repurchase agreements decreased by RMB33,011 million, or 25.2%, primarily due to the decrease in scale due to our relatively adequate capital.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	13,406,292	82.1	12,533,397	83.9
Deposits and placements from banks and other financial institutions	1,650,184	10.1	1,056,064	7.0
Financial assets sold under repurchase agreements	98,010	0.6	131,021	0.9
Debt securities issued	324,998	2.0	325,167	2.2
Financial liabilities at fair value through profit and loss[1]	343,092	2.1	372,493	2.5
Other liabilities	514,936	3.1	523,391	3.5
Total	**16,337,512**	**100.0**	**14,941,533**	**100.0**

Note: 1. These include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

Deposits from Customers

At 30 June 2015, the balance of deposits from customers increased by RMB872,895 million, or 7.0%, over the end of the previous year to RMB13,406,292 million. In terms of customer profile, the proportion of corporate deposits increased by 0.4 percentage point over the end of the previous year to 35.8%, and the proportion of retail deposits decreased by 0.2 percentage point over the end of the previous year to 59.0%. With respect to the maturity of deposits, the proportion of demand deposits decreased by 1.3 percentage points over the end of the previous year to 51.0%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	13,317,010	99.3	12,458,606	99.4
Corporate deposits	4,798,881	35.8	4,437,283	35.4
Time	1,626,025	12.1	1,430,020	11.4
Demand	3,172,856	23.7	3,007,263	24.0
Retail deposits	7,917,712	59.0	7,422,318	59.2
Time	4,254,789	31.7	3,876,021	30.9
Demand	3,662,923	27.3	3,546,297	28.3
Other deposits[1]	600,417	4.5	599,005	4.8
Overseas and others	89,282	0.7	74,791	0.6
Total	**13,406,292**	**100.0**	**12,533,397**	**100.0**

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

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

	30 June 2015		31 December 2014	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	62,819	0.5	77,854	0.6
Yangtze River Delta	2,982,426	22.2	2,763,374	22.0
Pearl River Delta	1,805,790	13.5	1,687,296	13.5
Bohai Rim	2,406,622	17.9	2,231,660	17.8
Central China	2,254,604	16.8	2,098,964	16.7
Northeastern China	700,092	5.2	659,561	5.3
Western China	3,104,657	23.2	2,939,897	23.5
Overseas and others	89,282	0.7	74,791	0.6
Total	**13,406,292**	**100.0**	**12,533,397**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

	30 June 2015		31 December 2014	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Demand	7,361,144	54.9	7,046,736	56.2
Less than 3 months	1,471,695	11.0	1,710,174	13.6
3–12 months	2,917,845	21.8	2,363,672	18.9
1–5 years	1,655,465	12.3	1,412,631	11.3
More than 5 years	143	—	184	—
Total	**13,406,292**	**100.0**	**12,533,397**	**100.0**

Shareholders' Equity

At 30 June 2015, our shareholders' equity amounted to RMB1,122,042 million, of which ordinary shares were RMB324,794 million, preference shares were RMB79,899 million, capital reserve was RMB98,773 million, investment revaluation reserve was RMB7,313 million, surplus reserve was RMB78,639 million, general reserve was RMB175,530 million and retained earnings were RMB356,323 million. Net assets per share were RMB3.20, representing an increase of RMB0.15 compared to the end of the previous year.

Composition of Shareholders' Equity

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	324,794	28.9	324,794	31.4
Preference shares	79,899	7.1	39,944	3.9
Capital reserve	98,773	8.8	98,773	9.5
Investment revaluation reserve	7,313	0.7	3,118	0.3
Surplus reserve	78,639	7.0	78,594	7.6
General reserve	175,530	15.6	156,707	15.2
Retained earnings	356,323	31.8	329,989	32.0
Foreign currency translation reserve	(942)	(0.1)	(853)	(0.1)
Non-controlling interests	1,713	0.2	1,553	0.2
Total equity	**1,122,042**	**100.0**	**1,032,619**	**100.0**

Off-balance Sheet Items

Our off-balance sheet items primarily comprise derivative financial instruments, contingent liabilities and commitments. We enter into derivative financial instruments relating to exchange rates, interest rates and precious metals for the purposes of trading, managing assets and liabilities and transactions on behalf of customers. Our contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwritings and redemption commitments, mortgaged and pledged assets, and reserves for legal proceedings. Credit commitments were a major component of the off-balance sheet items and include loan commitments, bank acceptances, letters of guarantee issued and guarantees, letters of credit issued and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	412,005	26.6	441,058	27.9
Bank acceptances	443,874	28.7	418,937	26.4
Letters of guarantee issued and guarantees	243,572	15.7	241,171	15.2
Letters of credit issued	193,738	12.5	227,337	14.4
Credit card commitments	255,058	16.5	254,222	16.1
Total	**1,548,247**	**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 under CASs

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

Equity Investment in Other Companies

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

Name of investee company	Investment cost (RMB Yuan)	Number of shares held at the beginning of the period (10,000 shares)	Shareholding percentage at the beginning of the period (%)	Number of shares held at the end of the period (10,000 shares)	Shareholding percentage at the end of the period (%)	Book value at the end of the period (RMB Yuan)	Accounting item	Source of shares
Sino-Congolese Bank of Africa	153,494,617	—	—	2.5	50.0	153,494,617	Investments in joint ventures	Investment of self-owned capital
Shenzhen Financial Electronic Settlement Centre	20,757,641	2,076	16.7	2,076	16.7	20,757,641	Available-for-sale financial assets	Investment of self-owned capital
China UnionPay Co., Ltd.	146,250,000	11,250	3.8	11,250	3.8	146,250,000	Available-for-sale financial assets	Investment of self-owned capital
OTC Clearing Hong Kong Limited	16,561,118	0.01	2.1	0.01	2.1	16,561,118	Available-for-sale financial assets	Investment of self-owned capital
Shaanxi Coal and Chemical Industry Group Finance Co., Ltd.	100,290,007	10,000	10.0	10,000	10.0	101,745,466	Financial assets at fair value through profit or loss	Investment of self-owned capital
Sichuan Yibin Wuliangye Group Finance Co., Ltd.	390,000,000	39,000	19.5	39,000	19.5	344,860,853	Financial assets at fair value through profit or loss	Investment of self-owned capital

Notes: *The equity interests in other listed companies and financial enterprises specified above with our shareholding exceeding 1% at the end of the period are recognized as investments in joint ventures, financial assets at fair value through profit or loss and available-for-sale financial assets.*

Business Review

Corporate Banking

In the first half of 2015, the Bank proactively adapted itself to the "new normal" of the economy development and further transformed its corporate banking business. The Bank exerted great efforts in consolidating its three-level core customer base and small and micro enterprise customer base, as well as expanding its medium enterprise customer base. To proactively support the development of real economy, the Bank further refined the database of key marketing projects and devoted more loans to major customers and major projects with an aim to support the construction of new-type urbanization and support enterprises to "Go Out". The Bank introduced innovative marketing system so as to take advantage of its synergistic marketing effects between different departments of the bank, retail and corporate banking business, the Bank and its subsidiaries, and domestic and overseas business. The Bank adhered to the development strategy for investment banking business and was devoted to developing bond underwriting, syndicated loan, merger loan, asset securitization and other high-end investment banking businesses, in order to provide its corporate customers with integrated financial services of high quality.

At the end of June 2015, we had 3.56 million corporate banking customers, of which 75.8 thousand customers had outstanding loan balances.

Corporate Loans and Deposits

In the first half of 2015, with the efforts in strengthening the development foundation of corporate deposit business in a long run and promoting the marketing for corporate deposit business steadily, our corporate deposits maintained a steady growth. At 30 June 2015, the balance of our domestic corporate deposits amounted to RMB4,798,881 million, representing an increase of RMB361,598 million or 8.1% over the end of the previous year.

During the reporting period, in line with the national industrial policies, the Bank provided great support to industries including transportation, electric supply and commercial services. The Bank increased credit support to the rebuilding of shanty areas and the construction of urban infrastructure as well as further optimized its credit structure. At 30 June 2015, the balance of our domestic corporate loans and discounted bills amounted to RMB5,703,494 million, representing an increase of RMB398,735 million or 7.5% over the end of the previous year.

During the reporting period, the Bank continued to optimize its real estate loan structure and prevented risks related to real estate loans through various risk control measures. At 30 June 2015, the balance of loans to corporate customers in the real estate industry amounted to RMB425.58 billion, representing a decrease of RMB5.44 billion over the end of the previous year. Non-performing loan ratio amounted to 0.51%, representing an increase of 0.12 percentage point over the end of the previous year. Real estate loans newly issued to corporate customers were mainly extended for land reserve of the government. At 30 June 2015, balance of loans extended for land reserve of the government increased by RMB13,051 million or 14.8% over the end of the previous year.

Small and Micro Enterprise Banking Business

During the reporting period, the Bank exerted great effort in exploring an effective business model for providing services to small and micro enterprises by large commercial bank, in order to strength and refine its small and micro enterprise banking business. The Bank focused on supporting small and micro enterprises of high quality related to developing "One Belt and One Road", Beijing-Tianjin-Hebei Region and Yangtze Economic Belt, as well as those located at Shanghai Free Trade Zone. The Bank also provided great support to small and micro enterprises of high quality in industrial chain based on three levels of core customers as well as those located in key counties and related to "Sannong". The Bank encouraged innovation by cooperating with "Maker Space" and supporting innovative and entrepreneurial small and micro enterprise. Aiming to promote further cooperation between technology and finance, the Bank launched "Ke Yi Dai" and other innovative products in Beijing and other regions. The Bank introduced online financing platform, such as "e-Commerce Steward", in Zhejiang and Tianjin, in order to provide small and micro enterprise banking services through the Internet. With the launch of "enhanced government credit" model, the Bank assisted small and micro enterprises to solve the guarantee problem through credit enhancement measures, including risk compensation from the government, guarantees from policy guarantee companies and credit insurance of insurance companies, in order to solve the difficulties in financing of small and micro enterprises.

As at 30 June 2015, loans to small and micro enterprises amounted to RMB1,054,607 million, representing an increase of RMB79,687 million or 8.2% as compared with the end of the previous year. The growth rate was higher than that of the total loan of the Bank by 0.4 percentage point.

Institutional Banking

As at 30 June 2015, the Bank cooperated with 215 banks in agency business with wider scope. The third-party depository business recorded a rapid growth. As at 30 June 2015, the Bank offered third-party depositary services to 98 security firms and the number of our contracted customers reached 21,753.1 thousand. The average daily balance of funds deposited for the first half of the year amounted to RMB233,746 million, representing an increase of 262.3% over the corresponding period of the previous year. As at 30 June 2015, the Bank cooperated with 158 future brokerage companies with 560.5 thousand of contracted customers and RMB34,790 million of outstanding margin deposits.

The influence in the bancassurance market of the Bank was further enhanced. As at 30 June 2015, the Bank had entered into comprehensive cooperation agreements with 45 insurance companies. The Bank collected new insurance premiums of RMB116,624 million for the first half of the year, representing an increase of 35.0% over the corresponding period of the previous year. The total income from bancassurance amounted to RMB3,675 million, representing an increase of 28.6% over the corresponding period of the previous year. The Bank ranked first among major commercial banks in terms of income from bancassurance, further consolidating its leading position.

Settlement and Cash Management

Payment and Settlement

The Bank continued to enhance the marketing and services of corporate settlement account by innovating and refining settlement products. The Bank exerted efforts in promoting corporate settlement card, settlement package service and enriching the function of account to improve the experience of customers in financial service. As of 30 June 2015, we had 4,406.9 thousand RMB-denominated corporate settlement accounts, representing an increase of 4.4% over the end of the previous year. RMB-denominated corporate settlement transaction volume amounted to RMB261.42 trillion, representing an increase of 7.0% compared to the same period of the previous year. The Bank cumulatively issued 514.9 thousand of corporate settlement cards, representing an increase of 58.4% over the end of the previous year. The number of contracted customers of settlement package service amounted to 328.3 thousand and the coverage ratio amounted to 7.5%.

Cash Management

The Bank further enriched the functions of cash management products and promoted various products, such as bill pool and agency services. The Bank consolidated its customer base of cash management by enhancing the marketing and services of cash management business. Centralized operation service of RMB and foreign currencies was also developed. The agency services with each other were strengthened between domestic and overseas through enhancing the cooperation with foreign invested banks. The Bank also enhanced its synergic marketing and improved its cash management services provided to customers worldwide. The Bank strived to raise the recognition of "Xing Yun", its cash management brand, so as to enhance the market competitiveness of its cash management business. As of 30 June 2015, the Bank had 637.4 thousand cash management customers[1], representing an increase of 28.1% compared to the end of the previous year.

Trade Financing and International Settlement

In line with national strategies of enterprises "Go Out", internationalization of RMB and "One Belt and One Road", the Bank put great efforts in developing emerging businesses under trade services and capital management, in order to proactively fulfill diversified trade financing needs of customers. Various innovative products were introduced, including letter of foreign guarantee, bancassurance financing and domestic and overseas factoring. The market competitiveness of businesses such as international settlement, exchange settlement and trade financing were further improved. In the first half of 2015, the total volume of international trade financing conducted by our domestic branches reached an amount of USD44,403 million. The total volume of international settlement conducted by our domestic branches reached an amount of USD476.21 billion. Our domestic branches cumulatively issued letters of foreign guarantee with a total amount of USD18.03 billion.

The Bank proactively supported the internationalization of RMB and the expansion and upgrade of free trade zone, as well as participated in the establishment of pilot zone of financial reform. As the Bank further carried out the innovation and promotion of cross-border RMB-denominated settlement products, its cross-border RMB-denominated settlement business recorded a rapid growth. In the first half of 2015, cross-border RMB-denominated settlement conducted by our domestic branches totaled RMB604.89 billion.

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

Participating in the Construction of Free Trade Zone Complying with the Trend of Deepening Reform and Opening of China

The free trade zone reform is an important strategy plan for comprehensively deepening reform and opening of China, which will liberalize the fund market and financing market. It will bring us precious development opportunities. Free trade zone strategy will facilitate the innovation of our financial service and management mode, including on-shore and off-shore financing, cross-border and cross-industry financing, industrial and capital financing, and renminbi and foreign currency financing. We can make use of resources and markets inside and outside China to introduce products so as to lower the financing cost of our corporate customers as a way to support the real economy. The free trade zone will facilitate the Bank to innovate financial products in the areas of capital account convertibility, cross-border use of renminbi and liberalization of interest rates. The free trade zone will focus on the establishment of demonstration areas of modern services and advanced manufacturing industry, as well as trading and shipping centre to push forward the trade transformation and upgrade, which will facilitate the development of emerging financial services of the Bank.

As one of the first banks to establish branch there, we actively participated in the construction of the free trade zone. We introduced detailed polices to support business development in free trade zone. Firstly, we streamlined the procedures of and delegated authorities to the branch in the free trade zone in respect of performance appraisal, capital management, financial market, credit management and product innovation. Secondly, our branch in the Shanghai Free Trade Zone is the first branch to have its independent accounting system and push forward service innovation on free trade account. Our cross-border Renminbi integrated financial service for small and medium enterprises in the free trade zone is recommended as a model of innovative financial services by the regulatory authority. As at the end of June 2015, the number of customers in the free trade zone and balance of loans and deposits was 1,540, RMB1.712 billion and RMB13.409 billion, respectively. Our growth in loan and deposit as well as in market share in the free trade zone is the top among the large four state-owned commercial banks. Thirdly, we introduced featured financial products and service system for the free trade zone covering domestic and foreign currency settlement, investment and financing business, treasury transaction, cash management, e-commerce and bulk commodity trading. Fourthly, we participated in the reform and innovation of capital account convertibility comprehensively. We successfully obtained the qualification for cross-border settlement bank under Shanghai-Hong Kong Stock Connect and are entrusted to manage the first domestic ETF fund under Shanghai-Hong Kong Stock Connect. Our Bank is one of the first settlement banks for Gold Trading International Board and of the first clearing banks for bulk commodity financial derivatives of Shanghai Clearing House in Shanghai Free Trade Zone. Fifthly, our Bank actively expanded our customer base and business scale during the expansion of the free trade zones. We introduced 54 enterprises, the highest number among the four largest state-owned commercial banks, to operate in the Nansha Area on the date when Guangdong Free Trade Zone was opened. We successfully arranged cross-broader Renminbi loans on the date when Qianhai & Shekou Area was opened. We finished the first leasing of marine engineering equipment in China, combined a group leasing and cross-broader leasing, in Tianjin Free Trade Zone. Our Bank is the unique agency bank to provide credit information query from the PBOC in Fujian Free Trade Zone and has entered into business cooperation framework agreement with various major enterprises.

Investment Banking

In the first half of 2015, the Bank focused on the development of high-end investment banking businesses, including bond underwriting, asset securitization, merger and acquisition loans and syndicated loans, in order to promote the development of investment banking business.

During the reporting period, we underwrote 163 debt instruments with an aggregate amount of RMB190,367 million, representing an increase of RMB45,647 million or 31.5% compared to the corresponding period of the previous year. The Bank proactively led and participated in major syndicated loan projects and aimed to provide high quality corporate customers with integrated financial services, such as financial advisory services regarding listing, merger and acquisition and reorganization as well as merger and acquisition loans.

Retail Banking

In the first half of 2015, the Bank continued to enhance the strategic transformation of our retail banking business, satisfying the customized and differentiated financial services needs of various customers. We strengthened customer relationship management and refined customer value-added services system, in order to continuously improve our customers' experience. We implemented the improving project about our branch outlets, promoted the establishment of marketing circumstances of our branch outlets and strengthened the marketing functions of self-service banking. By enhancing our product innovation, the competitiveness of our retail banking business was steadily strengthened. As of 30 June 2015, we had 464 million retail customers, among which more than 23 million were VIP retail customers.

Retail Loans

The Bank actively supported individuals 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. As of 30 June 2015, the balance of domestic residential mortgage loans amounted to RMB1,715,119 million, representing an increase of RMB164,446 million over the end of the previous year. As of 30 June 2015, the balance of domestic retail loans amounted to RMB2,562,490 million, representing an increase of RMB165,851 million over the end of the previous year.

Retail Deposits

The Bank continued to strengthen the construction of service channels in county areas, improve classified services system for retail customers and enhance innovation of products for accounts. We optimized our certificates of deposit, travel deposits and other services. We became one of the first batch of banks that issued personal certificates of deposit, which enlarged our deposit absorption capabilities. The retail deposits maintained a steady growth. As of 30 June 2015, the balance of domestic retail deposits amounted to RMB7,917,712 million, representing an increase of RMB495,394 million over the end of the previous year.

Bank Cards

As of 30 June 2015, the number of debit cards cumulatively issued reached 761 million, representing an increase of 36 million over the end of the previous year, ranking first among the four largest commercial banks in terms of the number of cards issued. Among them, the number of debit IC cards cumulatively issued reached 344 million, representing an increase of 63 million over the end of the previous year. Standardized PBOC 3.0 debit card had been issued in accordance with the requirements of the PBOC, which further consolidated the development of IC cards. With expanded customer bases and continuous improvements of application of debit IC cards in various industries, we have effectively promoted the popularity and usage of our debit cards.

As of 30 June 2015, the number of credit cards[1] cumulatively issued reached 55.6589 million, and our dedicated credit card merchants reached a number of 961,800. The transaction volume of credit cards for the first half of the year amounted to RMB582,595 million, representing an increase of 25.0% compared to the previous year. The Bank has recently issued residential mortgage customers exclusive credit card and global payment chip-enabled card for existing premium customers and overseas business travellers and online purchasers respectively. We strengthened our cooperation with brand merchants, promoted the cross-marketing of internet banking and mobile banking and realized a rapid development of our credit card business.

Item	30 June 2015	30 June 2014	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	76,094.24	67,552.92	12.6
Number of credit cards issued (unit: 10,000)	5,058.43	4,394.43	15.1
	Six months ended 30 June 2015	**Six months ended 30 June 2014**	**Growth Rate (%)**
Transaction volume for debit cards (RMB100 million)	34,685.24	32,179.08	7.8
Transaction volume for credit cards (RMB100 million)	5,397.95	4,625.46	16.7

Private Banking Business

As of 30 June 2015, we established private banking departments in 32 branches. The number of customers of our private banking business of the Bank reached 64,000 and the assets under custody amounted to more than RMB740,000 million, representing an increase of approximately RMB100,000 million over the end of the previous year.

1 *The bank credit cards including credit card and quasi-credit card.*

During the reporting period, we actively promoted the transformation of private banking business. We set up private banking customer service system to provide comprehensive, tailor-made, confidential and integrated wealth management services to our private banking customers. We accelerated the establishment of a product series exclusive for private banking and established four major products series including wealth management plans for contracted income guaranteed and net value products, discretionary asset management services and agency services. We have further developed private banking consultancy service, constantly enriched family trust, cross-border finance, New Third Board and legal and tax consultancy services. We have strengthened the risk management of private banking business by formulating and improving our business management measure.

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, proactively adjusted the investment strategies, and continuously improved our risk management. Our asset operation efficiency was further improved.

Money Market Activities

In the first half of 2015, the PBOC has reduced interest rate three times and deposit reserve ratio three times in general and targeted method, and enhanced the dynamic adjustment of difference required reserve ratios. 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 by reducing financing costs of corporations.

In the course of the liberalization of interest rates, the Bank studied monetary policy and forecast market liquidity so as to expand active liability 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 the first half of 2015, our RMB-denominated financing transactions amounted to RMB9,427,550 million, including borrowing of RMB731,538 million and lending of RMB8,696,012 million. We developed interbank negotiable certificates of deposits and actively performed the duties of market maker. The transaction volume of certificates of deposits for the first half of 2015 amounted to 48.87 billion, representing an increase of 187% compared to the whole year of 2014.

At the meantime, we maintained our prudent strategy for foreign currency financing business, monitored changes in monetary policies of developed economies and properly controlled the maturity of funding.

Investment and Trading Activities

At 30 June 2015, our net investment of securities and other financial assets amounted to RMB4,018,438 million, representing an increase of RMB442,808 million compared to the end of the previous year.

Trading Activities

In the first half of 2015, due to macro-economy conditions and monetary policy, the yield of the bond market declined in general despite the increase in term spread. We closely monitored the changes in the bond market, strengthened our research and assessment of the market conditions so as to promptly adjust our strategy of portfolio management, to flexibly arranged the investment scale, composition and maturity of trading bond assets, and traded according to the market trend and we gained good returns.

Banking Book Activities

In the first half of 2015, the yield of the RMB-denominated bond market decreased in general with intensified interval fluctuation. We enhanced study and assessment of interest rate movements in the bond market, capitalized on the market fluctuation and made appropriate investment schedule. We also effectively increased the yield of investment portfolio, which was among the top in banking industry, by refining our investment portfolio through two-way dynamic operation.

In the first half of 2015, the fluctuation of international bond market increased significantly. Confronted with the ever-changing market, we maintained our prudent strategy for foreign currency investment and continuously increased the yield of investment portfolio through controlling the portfolio duration, properly increasing investment scale, investing bonds with high credit rating, and strictly controlling risks. As of 30 June 2015, our foreign bonds investment portfolio for our own account amounted to USD16,360 million.

Asset Management

Wealth Management

In order to satisfy increasing demand for wealth management of customers, we exerted more efforts in the innovation of product design and sales models of wealth management products, which results in a steady increase in the number of our contracted customers of wealth management. As of 30 June 2015, the balance of our wealth management products amounted to RMB1,043,951 million, including retail wealth management products of RMB713,554 million and corporate wealth management products of RMB330,397 million.

Through professional and differentiated customer management, we continuously refined our product structure to cater the needs of customers and enriched the variety of our products with competitive edges. We put a great effort in research and development of wealth management products with net value and introduced specified wealth management products to benefit customers in County Areas which was highly recognized and well received by the market.

The accounting and management of wealth management products of the Bank were in compliance with both accounting standards and relevant regulations. We prepared separate accounts and operating reports for each of the wealth management products.

Custody Service

As of 30 June 2015, we had RMB5,835,210 million of assets under custody, representing an increase of RMB871,168 million over the end of the previous year. Among them, insurance assets under custody amounted to RMB2,155,162 million, representing an increase of 11.8% over the end of the previous year, ranking first in the banking industry in China. In the first half of 2015, our custody and other fiduciary service fees amounted to RMB1,679 million.

Pension Business

In the first half of 2015, we further developed our pension business. We succeeded in the marketing of annuities and semi-annuities projects of several well-known enterprises, and made a significant breakthrough in our custody of the National Social Security Fund. As of 30 June 2015, pension funds under our custody amounted to RMB287,939 million, representing an increase of 9.3% over the end of the previous year.

Precious Metal Business

In the first half of 2015, affected by factors such as the expected rise in interest rate of USD, the price of international precious metal reduced with fluctuation, and the domestic demand of physical precious metal decreased significantly. As a domestic major precious metal market maker, the Bank provided customers with precious metal trading, investment and hedging services 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. In the first half of 2015, we traded 1,375.53 tons of gold and 13,234.54 tons of silver for our own account as well as on behalf of customers. Our gold leasing business grew steadily, and income from leasing increased by 24.8% as compared to the same period of the previous year.

Treasury Transactions on behalf of Customers

In the first half of 2015, the exchange rate of Renminbi recovered from the depreciation early of the year and returned to a stable trend, with two-way fluctuation. We continued to optimize the structure for settlement and sale of exchanges and encouraged the development of our foreign currency trading business. We enhanced our efforts in product innovation to meet hedging needs of customers. During the reporting period, we listed Vietnamese Dong, Burmese Kyat and Lao Kip and introduced settlement on behalf of customers for these currencies in some branches. In the first half of 2015, the transaction volume of our exchange settlement on behalf of customers amounted to USD155,625 million, and that of foreign exchange trading on behalf of customers amounted to USD12,111 million.

Agency Distribution of Fund Products

In the first half of 2015, the overall capital market remained active with intensified interval fluctuation while reform and innovation of the fund industry were enhanced. We captured market opportunities, cooperated with outstanding fund companies, developed innovative products in line with market trends and strengthened the marketing of initial issue funds and high-yield funds. We widely promoted fund investment knowledge and improved professional quality of our marketing teams. We also put greater effort in the research and development of systems and further optimized customer experience. In the first half of 2015, we cumulatively distributed fund products of RMB262,526 million, representing an increase of RMB98,952 million, or 60.5%, over the same period of the previous year.

Agency Sales of PRC Government Bonds

In the first half of 2015, we issued 6 batches of saving treasury bonds as an agent, including 2 batches of saving treasury bonds (in certificate form) with actual sales of RMB8,100 million and 4 batches of saving treasury bonds (in electronic form) with actual sales of RMB8,452 million.

Distribution Channels

Branch Outlets

During the reporting period, the Bank pushed forward the transform of outlets, facilitated the standardized management of outlets and enhanced the profitability of outlets. We exerted a lot of efforts in expanding the use of super counters, enhancing operational efficiency, lowering operating costs and promoting customer experience. The Bank has essentially solved the "last mile" problem of Sannong banking services in urban and county areas, thereby convenient banking services are directly provided to customers in their villages and neighborhoods, respectively. As of the 30 June 2015, standardized outlets accounted for 86.1% of the total outlets of the Bank and over 17,700 outlets with non-cash service counters, over 18,100 outlets with VIP counters and over 21,700 outlets with independent self-services counters have been set up.

Initiating Financial Intelligent "Super Counters" An Innovation of Banking Operation Services

The Bank first developed a new operation model named "super counters", which comprises guidance from duty manager, self-service banking and professional review of back office through an integration of hardware and software, in order to convert branch outlets from transaction processing to service and marketing.

"Super counters" achieved a balance between efficiency and safety. On one hand, "super counters" significantly improve operational efficiency. Customers may lodge transaction request through the intelligent machine. They are only required to provide a little information through electronic channel to complete various applications. Pre-set customer orders are stored in the intelligent machine and consolidated into working procedures. Safe transaction mediums of electronic banking such as bank card, USBKEY and K-order are delivered to customers automatically through the machine. No paper document is required from customers, which changed the conventional counter services in respect of filling out many forms, signing names many times and going through complicated procedures. The efficiency of handling non-cash transactions for individual customers improved by 4 to 7 times while the efficiency of account opening and execution of contract for corporate customers improved by 6 times. On the other hand, "super counters" has modified the conventional risk control model of the Bank. Identification of customers is centrally verified by back office professionals. Face recognition technology is used to increase the efficiency and accuracy of verifying customer identification to support the security of our business.

As of 30 June, 2015, "super counters" can handle 90% of the non-cash transactions for individual customers and have "account opening+ 8 contracts execution" functions for corporate customers. "Super counters" are available in more than 2,700 branch outlets of the Bank. Customer managers can provide "one-stop and interactive" services of consultancy, marketing, sales and delivery to customers through "super counters". Branch outlets have been converted from a place for delivery of financial products into a comprehensive sales and service platform.

Electronic Banking

The Bank followed the development of internet financing and proactively explored financial service model under the new normal of economic development. We have upgraded a new version of mobile banking with better online experience and more functions. We rapidly developed the commercial electronic platform, "e-Commerce Steward" and also introduced a Sannong commercial electronic platform, "e-Agricultural Steward". We introduced more online channels for wealth management services, and promoted O2O marketing and experience marketing, in result that customer participation has been significantly improved. In the first half of 2015, with the stable growth in the number of customers through electronic channels, transaction volume and profitability of the Bank further increased. As of 30 June 2015, the total number of online customers of the Bank was 716 million, representing an increase of 73 million over the end of the previous year. For the first half of 2015, we recorded 8,829 million financial transactions through electronic channels, representing an increase of 33.4% over the corresponding period of the previous year. The financial transactions through electronic channels accounted for 91.7% of the total number of transactions, representing an increase of 3.26 percentage points over the corresponding period of the previous year.

Internet Banking

We continued to push forward the innovation of internet banking and website services. We enhanced online asset management functions, improved customer experience and introduced new business such as online insurance and certificate of deposit. We expanded the construction of overseas system of corporate internet banking and successfully introduced corporate internet banking in Singapore Branch. We enhanced the profitability of our website, further optimized its functions such as online application for credit cards and individual loans and online reservation for counter service. New web pages for trading of gold, foreign exchange, bond and insurance were launched. As of 30 June 2015, the Bank had 150 million of retail internet banking customers with transaction volume of RMB47.95 trillion for the first half of 2015. The Bank also had 3.49 million of corporate internet banking customers with transaction volume of RMB46 trillion for the first half of 2015. The website recorded 2,373 million visits for the first half of 2015.

Telephone Banking

In the first half of 2015, the Bank optimized and upgraded its telephone banking services and functions, integrated transaction functions and streamlined operation procedures in order to improve customer satisfaction. During the reporting period, we received 206 million calls via our 95599 customer service center, and 37.2138 million calls were answered by our customer service staffs with a completion rate of 83.2%.

Mobile Banking

We launched a new version of customer-oriented mobile banking service, which streamlined transaction procedures and had several levels of security verification to improve user experience. A new social sharing feature was added. We enhanced the transaction platform of "e-shopping Tianjie" and two new features, namely "Discovery" and "Special Offers" were launched. We integrated all our commercial resources to conduct our regular marketing and special offer activates, extensively covering life services. As of 30 June 2015, the Bank had 129 million mobile banking customers with transaction volume of RMB4.85 trillion for the first half of 2015, representing an increase of 178.7% compared to the same period of the previous year. The Bank also had 285 million customers contracted for mobile banking SMS services.

Self-service Banking

As of 30 June 2015, the Bank had 118,000 cash-related self-service banking facilities, of which 48,000 are self-service banking terminals, ranking top among the large commercial banks. The Bank further increased self-service facilities in County Areas. We optimized service functions of different channels and increased the efficiency of facilities. The diversion rate of self-service facilities of the Bank was 73.6%. Direct marketing with message services and customer relationship manager notification were introduced and we push forward self-service banking from transaction dealing to intelligent marketing. We modified our card-using condition of international cards and streamlined the process of self-service cash transactions.

Internet Finance

In the first half of 2015, leveraging on our vast offline resources and Panyun Platform, we further developed the application of big data and mobile communication technology, strengthened product and model innovation of the support of internet finance to the real economy, small and micro enterprises and County Areas. We were committed to establish an online system integrated with products and services of payment, financing, wealth management, transaction and e-commerce to achieve synergies between online and offline businesses.

Internet Payment

During the reporting period, we focused on the improvement of the mobile payment system and established an electronic account system with actual account and virtual account combined, an interconnected user system and a convenient inter-bank channel. We launched the pilot mobile banking service, "Yinxuntong", by targeting customers in County Areas and focusing on the modern payment method via smart phones. The quality of "Huinongtong" project and the coverage of our financial service in remote areas were improved and the financial environment in rural areas was optimized. As of 30 June 2015, we had 9,431 agencies of "Yinxuntong" in Sichuan, cumulatively installed 7,187 "Yinxuntong" machines and conducted approximately 3 million financial transactions of RMB365 million.

Internet financing

Applying the big data concept, we launched a new credit financing product "Internet loan based on big data" targeting small and micro enterprises of the upstream and downstream segments of the industrial chain. As of 30 June 2015, 511 loans of RMB167 million in aggregate were granted automatically in two business circle of BYD Company Limited and Inspur Group Co., Ltd. under "Internet loan based on big data" and the outstanding balance was RMB106 million, representing a growth of 253% over the end of last year. We expanded the pilot merchant circle of "Interest loan based on big data" and further explored a comprehensive financial solution for the entire industrial chain. We also cooperated with ten new merchant circles including China National Cotton Exchange, China Mengniu Dairy Company Limited, COFCO International Holding Company, New Hope Liuhe Co., Ltd., Hisense, Da Bei Nong Group, Fushun Xingang Co., Ltd., and will go live in succession in the second half of this year.

E-Commerce Banking

As of 30 June 2015, the Bank had 13,590 designated e-commerce merchant customers. In the first half of 2015, our e-commerce transaction volume was RMB954.14 billion, representing an increase of 75.2% as compared to the corresponding period of the previous year. During the reporting period, the Bank proactively developed electronic commercial banking services in County Areas. Pilot schemes of special electronic commercial services such as "Sirong Platform" (an online integrated financial service platform providing fund facilities, financing, trading and market intelligence, towards farmers and the whole process of agricultural production) and "e-Agricultural Steward" were launched in selected areas. As of 30 June 2015, "Sirong Platform" had a total of 1,886 terminals and 356 online shops. It had handled 35 thousand trade requests and competed 10.9 thousand transactions with a total amount of RMB1,036 million. Online purchase between rural retailers and wholesalers in county areas as well as electronic payment and shopping for daily activities were realized through "e-Agricultural Steward" with a total of over 20,000 online merchants, 37,581 transactions and transaction amount of RMB711 million.

Overseas Business and Diversified Operation

Overseas Business

Proactively participating in the state's strategy of economic diplomacy, the Bank steadily promoted our layouts of institutions and developed our distinctive overseas services platform with the features of ABC to build up our global financial service capacity. In the first half of 2015, the scope of business, operation level, capacity of cross-border financial service and profitability level of the overseas institutions were continuously improved. During the reporting period, Moscow subsidiary, Luxembourg branch and Luxembourg subsidiary successfully commenced operation. At the end of June 2015, we have established 16 overseas institutions in 13 countries and regions, basically forming our overseas network covering Asia, Europe, North America and Oceania. As of the end of June 2015, total assets of our overseas branches and subsidiaries amounted to RMB649,614 million, representing an increase of 24.2% as compared with the end of last year. Net profit for the first half of the year amounted to RMB1,812 million, representing an increase of 22.8% as compared with the corresponding period of last year.

Supporting the Construction under the Strategy of Developing "One Belt and One Road" Providing Overseas Banking Services with the Unique Features of ABC

The national "One Belt and One Road" strategy will provide the Bank with scalable market expansion potential, extensive customer base and important strategic opportunities. Firstly, the "One Belt and One Road" strategy facilitates the cooperation between China and countries located along the "One Belt and One Road" with rich agricultural resources in respect of agriculture, forestry, animal husbandry and fishery industry, agricultural machinery industry and the production, processing and distribution of agricultural products. Such cooperation provides the Bank with opportunities to strength County Area Banking Business in regions along the borders and to improve its financial service capabilities for agriculture internationalization. Secondly, the "One Belt and One Road" strategy will encourage the cooperation between China and countries located along the "One Belt and One Road" in respect of exploration and development of traditional energy resources, such as coal, oil, gas and metal ore, as well as hydropower, nuclear power, wind power, solar energy and other clean and renewable energies. Thirdly, the "One Belt and One Road" strategy will facilitate the construction of main roads connecting different countries, which will bring great opportunities to the Bank's financial services for infrastructure construction. Fourthly, the "One Belt and One Road" strategy will encourage optimizing industrial cooperation and division between China and countries located along the "One Belt and One Road" and allow China's competitive production capacity to "Go Out", resulting in phenomenal development potential for the financial services of the Bank in relation to the international cooperation of production capacity. Lastly, the trade structure between China and the countries located along the "One Belt and One Road" is not even and varies greatly from country to country. There will be a huge potential for the growth of trade between China and countries located along the "One Belt and One Road", which will bring great opportunities to the Bank's international trading business services, in particular, trading business in border areas.

The Bank proactively formulated top-down design and issued "Opinions on the Implementation of 'One Belt and One Road' strategy". Major supporting measures are as follows: Firstly, the Bank will provide dedicated funds for "Go Out" and expand the usage. The Bank will also set up a competitive quoting system to customers. Secondly, the Bank will provide dedicated credit resources and streamline the approval procedure for "Go Out" business. The Bank will also formulate industrial policies to support enterprises to export their production capacity and prioritize the allocations of strategic economic capital to high quality projects under the "One Belt and One Road" strategy. Thirdly, the Bank will expand the customer base, establish a project library and launch annual marketing activities specially applicable for "Go Out" business. Fourthly, with an aim to refine the layout of overseas branches in key regions, the Bank will accelerate the application for establishment and upgrade of branches in key countries located along the "One Belt and One Road" and set up an overseas service platform with unique features of ABC. Fifthly, the Bank will improve its financial service capabilities through providing various services and products widely applicable to "Go Out" enterprises, such as promoting export credits, onshore guarantees for offshore loans, letters of foreign guarantees, syndicated loans and other products, promoting cross-border RMB-denominated settlement, financing and trading products, refining settlement platform and trading channels of different foreign currencies, as well as striving to establish international cash management platform and online corporate banking services. Sixthly, the Bank will strengthen its research capability on international financial market, in particular, risks in countries located along the "One Belt and One Road". The Bank will identify cooperation opportunities with credit insurance agencies, international organizations and domestic and foreign financial institutions for setting up a mechanism to spread and mitigate risks. Lastly, the cooperation between the Bank and financial institutions will be optimized. The Bank will also share experiences and information with policy banks and facilitate their cooperation on syndicated loans. The Bank will also improve the cooperation with peer commercial banks in respect of syndicated loans and risk control. Through proactive interaction with Asian Infrastructure Investment Banks, Silk Road Fund and International Finance Corporation, the Bank will explore mechanism of bilateral and multilateral financial cooperation.

Major Subsidiaries and Investee Company

Please refer to "Discussion and Analysis — Business Review — Human Resources Management and Organization Management — Management of Brand Outlets".

Information Technology

During the reporting period, we advanced the research and development of technology and product innovation in an orderly manner, which has provided a solid technology support to the development of our businesses.

We further strengthened the technological support to our daily business. We reinforced the construction of electronic channels and officially launched the 3.0 version of mobile banking. Payment functions of banking services in County Areas were upgraded with the introduction of pilot mobile payment terminals for County Areas. We also conducted comprehensive reforms of our counter business to lower its risk by technology. We strengthened the information technology support to Shanghai Free Trade Zone and promoted the development of back office system for financial market in the free trade zone.

We continuously facilitated the implementation of key projects of technological innovation. We steadily improved internet finance through expanding the business scope of "digital online loans" and optimizing the functions of Panyun Platform. The big data project was in good progress and we completed the first phase of operation by carrying out the foundation works including the construction and refinement of infrastructure and establishment of data model.

We advanced the construction of infrastructure and the management of operation safety. The fourth phase of BoEing proceeded progressively with the second stage of operation completed. We completed the demonstration project of the premium customer relationship management system with domestic high-end fault-tolerant server and high-volume storage. During the reporting period, our transaction volume of operation increased steadily. The average transaction volume per working day of our core operation system reached 248 million, an increase of 15% as compared to the corresponding period of the previous year. The highest daily transaction volume reached 321 million. Availability rate of information system reached 99.9%. The consecutive operation and service capability of our information system remained stable.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, we actively adapted to and complied with the "new normal", persisted with the market-oriented approach and continued to deepen the reform of human resources. Post evaluation for the reform in the Head Office was carried out, which focused on the County Area Banking Division, customer service integration, operational system, internet finance and the development of emerging businesses, in order to enhance our response to the market changes and improving the operational efficiency of the organization. We also placed our focus on foundation-level staff by increasing their share of human resources and remuneration resources. The incentive system for managers and staff of branch outlets was refined to provide them with more career development opportunities and encourage their long-term service in the foundation level. We strengthened the linkage of remuneration with economic value creation and business transformation, and optimized long-term incentive measures such as deferred payment of performance-based wages, in order to retain and attract staff in key positions and the talents. In addition, we accelerated the market-based management of Annuity Scheme and continued to strengthen investment management of Annuity Scheme and Retirement Benefits Fund to improve long-term investment return.

Development and Cultivation of Human Resources

During the reporting period, we strengthened the development and cultivation of the talents focusing on leading managers, professional talents and foundation-level backbone personnel. We increased the training of outstanding young management talents and provided them with practical advice and career development platform and mechanism. By accelerating the building of professional teams and establishing a promotion mechanism to provide fast promotion for outstanding staff, we were able to create a more competitive and professional teams. With optimized employment policy, we stringently controlled the scale of office and gave priority to the foundation level. As a result, we encouraged the mobility of staff and efficiently utilized our human resources.

During the reporting period, in line with the national strategy, the requirements of serving County Areas and the international development of the Bank, we enriched our school philosophy and enhanced the effectiveness of our training. Training of different levels and types were implemented through the Agricultural Banking University. Over 30 rotational training programs for professional posts of the Head Office were completed. We also organized training courses for new agricultural business entities, Tajikistan Agricultural Investment Bank and Internet Finance service. We continued to carry out special training programs, including "ABC Lecture", young talents development program in County Areas and middle-aged employees program.

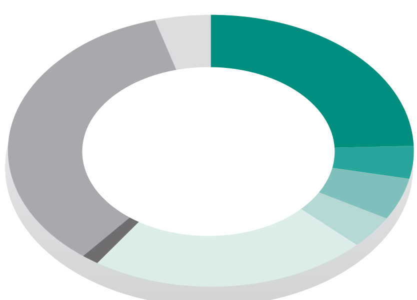
Information on Employees

As of the end of June 2015, we had 491,178 employees (and additional contracted employees of 21,626), representing a decrease of 2,405 persons over the end of the previous year. Among our employees, 7,242 persons were employed at our major domestic subsidiaries and 658 persons were local employees at our overseas institutions.

Distribution of Employees of the Bank by Regions

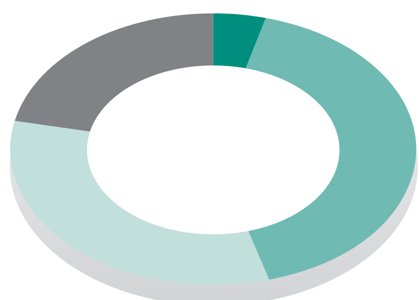
	30 June 2015	
	Number of Employees	Percentage (%)
Head Office	7,945	1.6
Yangtze River Delta	65,810	13.4
Pearl River Delta	52,696	10.8
Bohai Rim	67,392	13.7
Central China	106,213	21.6
Northeastern China	53,600	10.9
Western China	129,622	26.4
Subtotal of Domestic Branch Outlets	483,278	98.4
Major Domestic Subsidiaries	7,242	1.5
Overseas Institutions	658	0.1
Total	**491,178**	**100.0**

Distribution of Employees of the Bank by Departments



Management, 24.60%
Risk management, 3.90%
Finance, 4.90%
Administration, 3.90%
Sales, 22.30%
Information technology, 1.30%
Technicians, 34.90%
Other, 4.20%
Trading, 0.00%

Distribution of Employees of the Bank by Educational Background



Master's Degree, 4.30%
Bachelor's Degree, 41.40%
Associate Degree and Vocational School, 32.70%
Below College, 21.50%
Doctorate's Degree, 0.10%

Age of Employees of the Bank

	30 June 2015	
	Number of Employees	Percentage (%)
30 or below	99,078	20.2
31–40	79,170	16.1
41–50	218,917	44.6
51 or above	94,013	19.1
Total	**491,178**	**100.0**

Management of Branch Outlets

Domestic Branch Outlets

As of the end of June 2015, we had 23,638 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, 355 tier-2 branches (including business departments of branches in provinces), 3,516 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), 19,725 other establishments.

Number of Domestic Branch Outlets by Regions

	30 June 2015	
	Number of Domestic Branch Outlet	Percentage (%)
Head Office[1]	8	—
Yangtze River Delta	3,117	13.2
Pearl River Delta	2,590	11.0
Bohai Rim	3,372	14.2
Central China	5,250	22.2
Northeastern China	2,262	9.6
Western China	7,039	29.8
Total of Domestic Branch Outlets	**23,638**	**100.0**

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

Overseas Branch Outlets

As of the end of June 2015, we had nine overseas branches and two overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai, Tokyo, Frankfurt, Sydney and Luxembourg branches, as well as the Vancouver and Hanoi representative offices.

Major Subsidiaries

As of the end of June 2015, we had nine major domestic subsidiaries, including ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd., ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company, ABC Jixi Rural Bank Limited Liability Company, ABC Zhejiang Yongkang Rural Bank Limited Liability Company and ABC Xiamen Tong'an Rural Bank Limited Liability Company, and five major overseas subsidiaries, including Agricultural Bank of China (UK) Limited, Agricultural Bank of China (Luxembourg) Limited, Agricultural Bank of China (Moscow) Limited, ABC International Holdings Limited and China Agricultural Finance Co., Ltd..

Major Investee Company

The Bank invested to establish Sino-Congolese Bank of Africa with the Republic of Congo and other institutions, in which we hold 50% of equity interests with an investment of XAF 26,671.40 million. Our initial investment amounted to XAF 13,335.70 million. Sino-Congolese Bank of Africa was granted a license by the Ministry of Finance of the Republic of Congo on 28 May 2015.

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 "Sannong Banking Business" or "County Area Banking Business". During the reporting period, proactively seizing and complying with the "new normal" of economic development, we accelerated the transformation of County Area Banking Business, focused on the key services and strengthened product and service innovation, as well as improved our service quality of County Area Banking Business, so as to continue to consolidate our leading position in the County Areas.

Management Structure and Management Mechanism

Management Structure

We actively carried out the reform of the County Area Banking Division. The Board of Directors established the County Area Banking Business Development Committee to review significant matters relating to development of the County Area Banking Business and supervise the implementation of our County Area Banking Business strategic plan, policies and basic management rules. 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 and responsible for implementing the resolutions of the Board of Directors relating to the County Area Banking Business and making overall plans and coordinating the development of County Area Banking Business of the Bank.

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, and Farmer Banking Department. The County Area Policy and Banking Innovation Department is responsible for the development planning, research and development of product innovation and making overall plans of resource allocation for County Area Banking Business. The Rural Industrial Banking and Urbanization Banking Department and the Farmer Banking Department are responsible for business management and customer marketing in the County Areas in relation to corporate business and retail business, respectively. "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 risk management, accounting and assessment, credit management, credit approval, capital and fund management, as well as human resources, 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. Sub-branches in County Areas is the basic operation unit of County Area Banking Division. In 2015, the Bank incorporated all the sub-branches in County Areas into County Area Banking Division, for the purpose of comprehensively enhancing the capability to serve for the economy in County Areas.

Management Mechanism

During the reporting period, we refined the "three levels of supervision" and "one level of operation" management mechanism, supervising from the Head Office, tier-1 branches and tier-2 branches, and operating of sub-branches in the County Areas. In addition, The Bank implemented the "six separate" mechanism, which comprises separate capital management, separate credit management, separate accounting calculation, separate risk allowance and write-off, separate fund balance and operation, separate assessment and incentive and constraint, so as to efficiently strengthen the status of sub-branches as operating entities in County Areas.

Separate economic capital budget management and appraisal and assessment for the County Area Banking Division were implemented. The separate appraisal results were included in the integrated performance assessment of branches in order to highlight the assessment of featured County Area Banking Business, such as agriculture-related loans, loans to farmers, "Huinongtong" project and loans to new-type agricultural business entities. We adopted differentiated pricing authorization for deposits and loans in County Areas according to the characteristics of the County Area Banking Business. Through a separate recruitment program directionally to County Areas and young talents development programs for County Areas, we prioritized the supply of human resources to foundation-level and facilitated the cultivation of young backbone talents in County Areas.

The Bank continuously optimized the mechanism of separate risk allowance and write-off. We refined the credit structure of County Area Banking Business with clear focus area for loan granting. Loans scale for industries with high risks was strictly controlled. We strengthened the list-based management for customers related to agricultural industry and dynamically adjusting the customer categorization. We comprehensively implemented centralized operation of farmer loans and adopted the measures regarding the tolerance of non-performing loans from farmer in order to strengthen the risk management of farmer loans. Based on our risk analysis on featured mortgages and pledges in County Areas, we revised the administrative measures on mortgage and guarantee of forestry rights. We regularly monitored quality of loans in County Areas, identified new risk features and delivered risk alert notices. We also focused on mitigating risks from key customers in our pursuit of efficient risk disposal.

The senior managers from all levels of the branches provided guidance and supervision to the designated sub-branches in County Areas on serving for "Sannong". The Bank implemented the strategy of prioritizing the development of sub-branches in County Areas. We adopted dedicated policies to consolidate and enhance our competitive advantages in developed regions of County Areas.

County Area Banking Business

County Area Corporate Banking Business

We promoted the "Projects with Thousands and Hundreds of Units" [1] under our rural industrial banking business. We made efforts in marketing to high-end corporate customers in County Areas and supporting small and micro enterprises of high quality in key counties. We identified three levels of core customers in County Areas and included the expansion of customer base under "Projects with Thousands or Hundreds of Units" into the assessment system of County Area Banking Sub-Division.

We accelerated the innovation of featured products for County Areas. We refined the granting of loans to farmer professional cooperative and introduced loans to water conservancy construction projects. We introduced localized products in different branches, including "Grain Loan", "Milk Loan" and "Loan for Construction of Ecologic High Standard Farmland in Reclamation Area". We also introduced loans for eco-migration for poverty relief, loans for pledged receivables, government financing and assurance business, re-factoring and other businesses.

At 30 June 2015, the balance of deposits of corporate customers in County Areas amounted to RMB1,564.5 billion, representing an increase of RMB63 billion compared with the end of the previous year. Loans for corporate customers in County Areas (excluding discounted bills) amounted to RMB1,829.5 billion, representing an increase of RMB92.4 billion compared with the end of the previous year.

County Area Retail Banking Business

We provided more financial supports to new agricultural business entities. In respect of new agricultural business entities with government support and social influence, we conducted market survey and filed their registration and selected high quality entities to provide integrated financial services, including loans, deposits, wealth management and payment and settlement services. We have also organized 161 training sessions for new agricultural business entities with 7,044 participants in aggregate in the first half of the year. As of 30 June 2015, the Bank had a total of 162.6 thousand customers of new agricultural business entities, such as large-scale professional operators and family farms, representing an increase of 75.6 thousand entities compared with the end of the previous year. Our loans for them amounted to RMB31.8 billion, representing a growth of RMB14.4 billion or 82.8% compared with the end of the previous year.

We continued to enrich product series for loan to rural households. We revised the administrative measures of key products, including Micro-loan to Rural Households, Loan to Rural Private Business, Loan to Family Farm and Rural Land Contracted Operation Right Mortgage Loan. We also launched innovative products, such as pledged loan to merchants in commodity market in County Areas and rural households housing loan for new rural dwelling, and introduced localized products, including "Social Insurance Loan", "Beautiful Village Huinong Loan" and "Insurance for Emerging Breeding Industry + Biological Asset Mortgage Loan". In the first half of 2015, the Bank introduced nine new products and refined six products in respect of loan to rural households, in aggregate.

1 *Projects with Thousands and Hundreds of Units refers to a series of development goals, market strategies and promotion measures of the Bank of rural industrial banking business during the period of the "12th five-year plan" that uses "thousands" and "hundreds" as measuring units. The project identified ten types of key customers and the expansion target during the period, among which five types of customers are measured in "thousands" and the other five types of customers are measured in "hundreds".*

"Huinongtong" project has maintained smooth progress. As of 30 June 2015, the Bank had established 656 thousand service stations and had 1.195 million electronic machines having 75.4% village coverage. We issued a total of 167 million Huinong Cards, representing an increase of 6.9295 million cards compared with the end of the previous year. Deposits of Huinong Cards amounted to RMB88.5 billion. We secured the agency business of urban and rural pension insurance in 1,316 counties, representing an increase of 122 counties compared with the end of the previous year. We also secured agency business of new rural cooperative medical insurance projects in 827 counties. We secured a total of 7,668 other agricultural-related agency projects, such as agricultural-related fiscal subsidies and fees collection for rural public utility projects, representing an increase of 1,197 projects compared to the end of the previous year. The total balance of agency business amounted to RMB134.5 billion, representing an increase of RMB29.9 billion or 28.6% compared to the end of the previous year.

At 30 June 2015, the balances of deposits and loans for County Area Retail Banking Business amounted to RMB3,927.9 billion and RMB934.5 billion, representing increases of RMB283.4 billion and RMB52.5 billion, respectively, compared to the end of the previous year.

Financial Position

Assets and Liabilities

At 30 June 2015, the total assets of the County Area Banking Business amounted to RMB6,267,472 million, representing an increase of 7.3% over the end of the previous year. The total loans and advances to customers amounted to RMB2,813,442 million, representing an increase of 6.1% over the end of the previous year. Deposits from customers increased to RMB5,698,519 million, representing an increase of 7.3% over the end of the previous year.

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

In millions of RMB, except for percentages

	30 June 2015		31 December 2014	
Items	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	2,813,442	—	2,651,646	—
Allowance for impairment losses on loans	(154,543)	—	(144,352)	—
Loans and advances to customers, net	2,658,899	42.4	2,507,294	42.9
Intra-bank balances[1]	3,090,708	49.3	2,865,734	49.1
Other assets	517,865	8.3	468,585	8.0
Total assets	**6,267,472**	**100.0**	**5,841,613**	**100.0**
Deposits from customers	5,698,519	96.5	5,312,573	96.4
Other liabilities	207,589	3.5	196,574	3.6
Total liabilities	**5,906,108**	**100.0**	**5,509,147**	**100.0**

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

Profit

In the first half of 2015, the profit before tax of our County Area Banking Business decreased by 1.1% compared with the corresponding period of the previous year to RMB43,413 million, primarily due to a decrease in net fee and commission income and an increase in impairment losses on assets.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2015	Six months ended 30 June 2014	Increase/ (decrease)	Growth Rate (%)
External interest income	85,550	80,286	5,264	6.6
Less: External interest expense	50,774	45,278	5,496	12.1
Interest income from intra-bank balances[1]	50,741	46,250	4,491	9.7
Net interest income	**85,517**	**81,258**	**4,259**	**5.2**
Net fee and commission income	**15,579**	**16,114**	**(535)**	**-3.3**
Other non-interest income	2,148	1,275	873	68.5
Operating income	**103,244**	**98,647**	**4,597**	**4.7**
Less: Operating expenses	42,510	41,230	1,280	3.1
Impairment losses on assets	17,321	13,499	3,822	28.3
Total Profit before tax	**43,413**	**43,918**	**(505)**	**-1.1**

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

Key Financial Indicators

In the first half of 2015, the return on average total assets of the County Area Banking Business was 1.12%, representing a decrease of 6 basis points compared with the corresponding period of the previous year. The interest spread between deposits and loans of the County Area Banking Business was 4.43%, which was 52 basis points higher than that of the Bank. At 30 June 2015, the non-performing loan ratio of County Area Banking Business was 2.18%, representing an increase of 0.36 percentage point compared with the end of the previous year. The allowance to non-performing loans was 251.42% and the allowance to total loans was 5.49%.

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

Unit: %

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
Return on average total assets	1.12*	1.18*
Average yield of loans	6.26*	6.48*
Average cost of deposits	1.83*	1.74*
Net fee and commission income to operating income	15.09	16.34
Cost-to-income ratio	36.96	37.55
Item	**30 June 2015**	**31 December 2014**
Loan-to-deposit ratio	49.37	49.91
Non-performing loan ratio	2.18	1.82
Allowance to non-performing loans	251.42	298.52
Allowance to total loans	5.49	5.44

* *Annualized figures.*

Risk Management

Comprehensive Risk Management System

In the first half of 2015, we implemented a comprehensive, balanced and effective risk management strategy, adhered to a prudent and innovative risk appetite, strengthened the comprehensive risk management concept and improved the comprehensive risk management system. We identified the responsibilities of risk management and enhanced risk management in key areas of credit risk. We formulated the policies for annual capital transactions and market risk management, and optimized the system of market risk limit indicators. Prevention and control of case and operational risks were strengthened, and special assessment of counter business, third-party payment and other risks was conducted.

We further reinforced the implementation and application of the advanced approach of capital management, and conducted financial stability stress tests in coordination with the PBOC and CBRC. On-going monitoring and regular validation of the internal retail rating system were strengthened and the accuracy and prudence of the rating for non-retail clients and retail clients were improved. The application of the Internal Models Approach was promoted and its compliance evaluation was enhanced. The Advanced Measurement Approach for operational risk was applied to economic capital measurement and its models were optimized, in order to improve the stability and sensitivity of the economic capital models.

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 the first half of 2015, we further improved our credit risk management system, enhanced the risk management in key areas, including the real estate market and government financing platforms, strengthened the risk management of key regions and customers and risk mitigation, made a great effort in collecting and disposal of non-performing loans to maintain the quality of assets.

During the reporting period, the Senior Management and Risk Management Committee had conducted several meetings to review the conditions and measures of credit risk management and decided to strengthen asset quality management and further tighten the responsibility of the non-performing loan management to relieve risks.

Risk Management of Corporate Banking

We further improved our credit policies. We issued the Credit Policy Guidelines for 2015 to define the general requirement of credit management and the indicators for credit structure adjustment. We also revised our credit policies for various industries and list-based management for corporate customers to specify the authority and procedure for formulating credit policy and the approval authority of customers of different classes.

We strengthened the risk management of key areas. We enhanced the approval of real estate loans and loans for government financing platforms and strictly implemented the industry-specific exposure limit management. We also bolstered the risk alert of key industries and their upstream and downstream enterprises as well as associated industries to ensure prompt responses to mitigate potential risks. We closely monitored the growth of non-performing loans in different regions in order to mitigate risks effectively. We enhanced the risk management of key customers. We carefully studied the risk profiles of customers to identify the risks of individual customers and to formulate tailor-made solutions. We also strengthened the management of common customers among our departments to prevent the provision of multiple and excessive loans. We monitored the effects of stock market fluctuations on the credit assets of corporate customers. We took measures to prevent investment in stocks by using our loans in violation of the purposes of the loans. We also closely monitored the value of stocks charged as security of our loans. We strengthened the collection and disposal of non-performing loans and prudently increased the provision for doubtful debts. While we insisted to collect our loans, we proactively transferred non-performing loan in batches and to scale down non-performing loans through different measures.

Risk Management of Retail Loans

We strengthened the risk management of retail loans. We pushed forward the development of business center for retail credit by implementing grade classification management for 455 retail credit centers and differentiated credit authorization and risk management. We improved the scorecard assessment for retail loan application and refined the approval criteria to select quality customers. We enhanced risk monitoring in respect of regions, products and customers and strengthened compliance inspection to rectify any management defects. By refining collection measure and IT system effectiveness, we enhanced the effectiveness of centralized long-distance collection. We conducted stress tests for general scenario and residential mortgage loans to understand the asset quality under different scenarios and to adopt specific risk prevention plans.

Risk Management of Credit Card Service

We further improved our credit card rating system and tightened customer approval through improvement in application assessment. We promoted the use of behavioural scorecards for a better regulation of credit limits. We developed information system and risk database of credit cards to strengthen the capital flow management and risk analysis. We developed a risk rating model for cash advance service of credit cards and strengthened the monitoring of cash advance service in order to identify risks in an early stage. We made great effort on the collection of past due loans and the development of new collection approaches and enhanced the collection of branches and sub-branches. We formulated plans to facilitate the write-offs of bad debts.

Risk Management of Business in County Area

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

Loan Risk Classification

We formulated and refined relevant regulations on loan risk classification in accordance with the "Guidelines of Loan Credit Risk Classification" issued by the CBRC. We comprehensively assessed the recoverability of loans and classified the loans by taking account 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 reveal all risks objectively.

During the reporting period, in the face of intensifying and complicated risk condition, we constantly strengthened the management of risk classification and refined the related policies of risk classification on credit assets. We also improved the risk classification management system for credit assets and enhanced the delicacy of classification management with strengthened risk alerts covering diversified scope and levels. Furthermore, we had dealt with the credit risk of key areas and provided guidance to major branches on risk management in order to prevent risks.

Credit Risk Analysis

Maximum exposures to credit risk (before taking into account any collateral and other credit enhancement) are presented in the table below:

In millions of RMB

Item	30 June 2015	31 December 2014
Balances with central banks	2,730,043	2,631,103
Deposits with banks and other financial institutions	766,389	572,805
Placements with and loans to banks and other financial institutions	375,428	407,062
Financial assets at fair value through profit or loss	398,103	413,167
Derivative financial assets	7,581	7,195
Financial assets held under resale agreements	647,110	509,418
Loans and advances to customers	8,346,156	7,739,996
Available-for-sale financial assets	990,900	922,017
Held-to-maturity investments	2,064,944	1,710,950
Debt securities classified as receivables	551,077	522,117
Other financial assets	174,772	128,188
Balance sheet items	17,052,503	15,564,018
Credit commitments	1,548,247	1,582,725
Total	**18,600,750**	**17,146,743**

Distribution of Loans by Collateral

In millions of RMB, except for percentages

Item	30 June 2015 Amount	30 June 2015 Percentage of total loan (%)	31 December 2014 Amount	31 December 2014 Percentage of total loan (%)
Loans secured by mortgages	4,174,838	47.8	3,939,049	48.7
Loans secured by pledges	1,130,679	13.0	974,469	12.0
Guaranteed loans	1,345,695	15.4	1,388,288	17.1
Unsecured loans	2,076,237	23.8	1,796,261	22.2
Total	**8,727,449**	**100.0**	**8,098,067**	**100.0**

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

Item	30 June 2015 Amount	30 June 2015 Percentage of total loan (%)	31 December 2014 Amount	31 December 2014 Percentage of total loan (%)
Overdue for less than 90 days (including 90 days)	92,740	1.1	73,139	0.9
Overdue for 91 to 360 days	97,436	1.1	56,457	0.7
Overdue for 361 days to 3 years	34,205	0.4	22,821	0.3
Overdue for more than 3 years	14,570	0.1	14,203	0.2
Total	**238,951**	**2.7**	**166,620**	**2.1**

Restructured Loans and Advances

In millions of RMB, except for percentages

	30 June 2015 Amount	30 June 2015 Percentage of total loan (%)	31 December 2014 Amount	31 December 2014 Percentage of total loan (%)
Restructured loans and advances	23,653	0.3	26,403	0.3

Loan Concentration

In millions of RMB, except for percentages

Top 10 single borrowers	Industry	Amount	Percentage of total loan (%)
Borrower A	Transportation, logistics and postal services	91,244	1.05
Borrower B	Real estate	20,380	0.23
Borrower C	Transportation, logistics and postal services	17,329	0.20
Borrower D	Production and supply of power, heat, gas and water	16,396	0.19
Borrower E	Construction	15,826	0.18
Borrower F	Transportation, logistics and postal services	15,043	0.17
Borrower G	Transportation, logistics and postal services	14,189	0.16
Borrower H	Production and supply of power, heat, gas and water	13,231	0.15
Borrower I	Transportation, logistics and postal services	12,286	0.14
Borrower J	Leasing and commercial services	12,074	0.14
Total		**227,998**	**2.61**

At 30 June 2015, the total loans granted to the largest single borrower and ten largest borrowers accounted for 6.33% and 15.83% of our net capital, respectively, both of which were in compliance with related regulatory requirements.

Distribution of Loans by the Five-Category Classification

In millions of RMB, except for percentages

Item	30 June 2015		31 December 2014	
	Amount	Percentage of total loan (%)	Amount	Percentage of total loan (%)
Normal	8,207,797	94.04	7,661,924	94.62
Special mention	360,109	4.13	311,173	3.84
Non-performing loans	159,543	1.83	124,970	1.54
Substandard	38,045	0.44	35,052	0.43
Doubtful	105,420	1.21	75,669	0.93
Loss	16,078	0.18	14,249	0.18
Total	**8,727,449**	**100.00**	**8,098,067**	**100.00**

At 30 June 2015, the balance of non-performing loans of the Bank was RMB159,543 million, representing an increase of RMB34,573 million compared to the end of the previous year. The non-performing loan ratio increased by 0.29 percentage point to 1.83%. The balance of special mention loans was RMB360,109 million, representing an increase of RMB48,936 million compared to the end of the previous year. Special mention loans accounted for 4.13% of total loans, representing an increase of 0.29 percentage point compared to the end of the previous year. In view of the slowdown of macro-economic growth, the Bank adhered to its risk limitation and generally maintained the quality of loans primarily through the following measures: (1) we established a complete and effective risk prevention and control system for loans based on the principles of comprehensive risk management, and further improved the rules of credit rating for customers, credit approval and post-disbursement management, allowance for impairment loss and measurement of economic capital; (2) we optimized the quality control of loans and strengthened the coordination and cooperation between the head office and branches as well as among the front, middle and back offices. Efforts were also made to improve efficiency through performance assessment; (3) we closely monitored macro-economic conditions and changes in the risks of various industries to effectively forecast any changes in risks, as well as intensifying the monitoring of special mention loans and overdue loans to identify loans with high risks and maintained the risk limits; (4) we conducted risk management on key sectors such as guarantee circle and industries with high energy consumption, high pollution or overcapacity, relevant measures were adopted by the head office and branches to jointly mitigate risks; and (5) we innovated measures for disposal and undertook increasing efforts for collection, batch transfer and write-off of non-performing loans.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

	30 June 2015			31 December 2014		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	132,164	82.9	2.43	103,072	82.5	2.00
Short-term corporate loans	104,628	65.6	4.53	78,579	62.9	3.57
Medium- and long-term corporate loans	27,536	17.3	0.88	24,493	19.6	0.83
Discounted bills	10	—	—	—	—	—
Retail loans	26,058	16.3	1.02	21,052	16.8	0.88
Residential mortgage loans	5,571	3.5	0.32	4,980	4.0	0.32
Personal consumption loans	2,382	1.5	1.21	2,048	1.6	1.00
Loans to private businesses	6,506	4.1	2.61	4,461	3.6	1.70
Credit card overdraft	5,343	3.3	2.34	3,866	3.1	1.73
Loans to rural households	6,043	3.8	3.53	5,421	4.3	3.51
Others	213	0.1	17.79	276	0.2	20.25
Overseas and others	1,311	0.8	0.28	846	0.7	0.21
Total	**159,543**	**100.0**	**1.83**	**124,970**	**100.0**	**1.54**

At 30 June 2015, the balance of corporate non-performing loans amounted to RMB132,164 million, representing an increase of RMB29,092 million over the end of the previous year. The non-performing loan ratio of corporate loans was 2.43%, representing an increase of 0.43 percentage point over the end of the previous year. The balance of retail non-performing loans increased by RMB5,006 million to RMB26,058 million over the end of the previous year. Non-performing loan ratio of retail loans was 1.02%, representing an increase of 0.14 percentage point over the end of the previous year.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

Item	30 June 2015			31 December 2014		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	6	—	—	7	—	—
Yangtze River Delta	34,132	21.4	1.67	26,242	21.0	1.37
Pearl River Delta	21,621	13.5	1.80	16,790	13.4	1.51
Bohai Rim	30,259	19.0	2.08	26,727	21.4	1.93
Central China	22,302	14.0	2.04	18,656	14.9	1.83
Northeastern China	5,408	3.4	1.56	5,368	4.3	1.71
Western China	44,504	27.9	2.29	30,332	24.3	1.68
Overseas and others	1,311	0.8	0.28	848	0.7	0.21
Total	**159,543**	**100.0**	**1.83**	**124,970**	**100.0**	**1.54**

At 30 June 2015, the balances of non-performing loans and the non-performing loan ratio in Western China and the Yangtze River Delta increased by RMB14,172 million or 0.61 percentage point, and RMB7,890 million or 0.30 percentage point, respectively, compared to the end of the previous year.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2015			31 December 2014		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	62,509	47.3	4.37	51,360	49.8	3.69
Production and supply of power, heat, gas and water	2,053	1.5	0.36	2,324	2.3	0.44
Real estate	7,073	5.4	1.18	5,580	5.4	0.96
Transportation, logistics and postal services	4,382	3.3	0.52	2,734	2.6	0.36
Wholesale and retail	41,836	31.7	7.82	31,460	30.5	5.93
Water, environment and public utilities management	819	0.6	0.39	586	0.6	0.28
Construction	3,196	2.4	1.44	1,705	1.7	0.82
Mining	4,016	3.0	1.56	2,046	2.0	0.80
Leasing and commercial services	1,106	0.8	0.24	604	0.6	0.15
Finance	227	0.2	0.29	207	0.2	0.37
Information transmission, software and IT services	210	0.2	1.40	145	0.1	0.86
Others	4,737	3.6	2.12	4,321	4.2	1.96
Total	**132,164**	**100.0**	**2.43**	**103,072**	**100.0**	**2.00**

At 30 June 2015, the balance of non-performing loans increased most in two industries, manufacturing and wholesale and retail. These increases were RMB11,149 million and RMB10,376 million, respectively. The balance of non-performing loans to businesses engaged in the production and supply of power, heat, gas and water industry decreased by RMB271 million compared to the end of the previous year.

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 period	34,498	4,376	38,874
— Addition	39,285	40,951	80,236
— Reversal	(4,787)	(36,575)	(41,362)
Write-offs and transfer-out for the period	(13,093)	(2,270)	(15,363)
Transfer-in for the period			
— Recoveries of loans and advances written-off in previous years	400	207	607
— Unwinding of discount on loans and allowances	(627)	(196)	(823)
— Exchange difference	(60)	(13)	(73)
At 30 June 2015	**94,212**	**287,081**	**381,293**

Market risk

Market risk refers to the risk of losses in the on- and off-balance sheet activities 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 market risk of the Bank primarily includes interest rate risk and exchange rate risk. The Bank's risk management organizational structure is composed of 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 units bearing market risks.

In the first half of 2015, the Bank formulated policies regarding annual treasury transactions and investment and market risk management, we also continued to refine limit indicator system. Further, we exerted more efforts on research and development of the market risk management system and performed the second comprehensive verification of the Internal Model Approach. We optimized certain risk measurement models in accordance with regulatory and audit objectives and recommendations, and increased the flexibility of the selected system parameters.

Segregation of the Trading Book and Banking Book

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

Market Risk Management of the Trading Book

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

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

VaR Analysis of the Trading Book

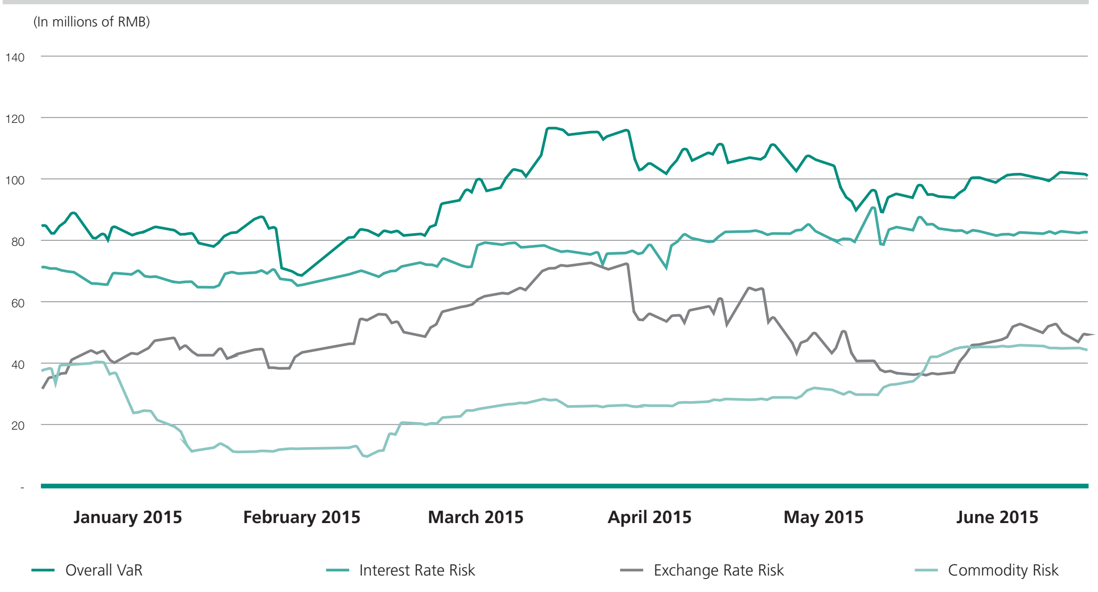
in millions of RMB

	January–June 2015				January–June 2014			
Item	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	82	76	90	64	56	75	87	55
Exchange rate risk	49	50	72	32	58	125	247	54
Commodity Risk	44	28	46	9	8	17	34	2
Overall VaR	101	94	116	68	90	178	289	86

Notes: (1) *The Bank calculates VaR for its trading book excluding RMB foreign currency settlement contracts with customers under relevant regulations of State Administration of Foreign Exchange.*

(2) *According to the "Capital Rules for Commercial Banks (Provisional)", VaR relating to gold was reflected in exchange rate risk.*

Change in VaR in the first half of 2015



During the reporting period, volatility of interest rate, exchange rate and market price of precious metals decreased, meanwhile, the size of bonds, derivatives and gold balances of trading book remained stable, which resulted in a limited change in VaR of interest rate risk and exchange rate risk, but with the increase of silver balances, the VaR of commodity risk increased as compared to the corresponding period of the previous year.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

Interest rate risk refers to the 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 relates to 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 the first half of 2015, the Bank enhanced the active management of interest rate risk resulting in more effective differentiated pricing. With more efficient management on active liability, the Bank proactively responded to the challenge of the liberalization of interest rate. The Bank monitored and analyzed interest rate risks by utilizing measures such as interest rate sensitivity gap analysis, net interest income sensitivity analysis and stress testing. Regular forecasting of net interest income was made to improve the management of interest rate risks.

Exchange Rate Risk Management

Exchange rate risk refers to the risk arising from mismatches in the non-RMB currency denominated assets and liabilities. Exchange rate risk primarily 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 mitigate in operations.

In the first half of 2015, the Bank performed monitoring and sensitivity analysis of exchange rate risk exposure regularly and strengthened the management of currency matching of foreign currency denominated assets and liabilities. As a result, the Bank was able to maintain a balanced portfolio of assets and liabilities denominated in non-RMB currencies. With flexible exposure level of trading exchange rate risk, the Bank was able to maintain its exchange rate risks within a reasonable range.

Market Risk Exposure Limit Management

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

In the first half of 2015, the Bank further enhanced market risk exposure limit management. The Bank set different market risk exposure limits based on the types of products and risks and refined the categorization of limits. The Bank also introduced automatic measurement, monitoring and reporting of risk exposure limit. During the reporting period, the risk exposure limit was kept within a targeted range.

Interest Rate Risk Analysis

At 30 June 2015, the cumulative negative gap sensitive to interest rate due within one year amounted to RMB171,318 million, representing a increase of RMB86,198 million in absolute terms compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	Sub-total of 1 year and below	1–5 years	Over 5 years	Non-interest earning
30 June 2015	(4,538,141)	885,720	3,481,103	(171,318)	(191,302)	1,401,579	(117,401)
31 December 2014	(2,304,785)	472,000	1,747,665	(85,120)	(195,491)	1,237,959	(105,693)

Note: Please refer to "Note 51. Financial Risk Management: Market Risk" to the financial statements for details.

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2015		31 December 2014	
Movements in basis points	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	(23,055)	(27,820)	(11,600)	(23,485)
Decreased by 100 basis points	23,055	27,820	11,600	23,485

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

Based on the composition of our assets and liabilities at 30 June 2015, if interest rates instantaneously increase (or decrease) by 100 basis points, net interest income and other comprehensive income would decrease (or increase) by RMB23,055 million and RMB27,820 million, respectively.

Exchange Rate Risk Analysis

Our exchange rate risk consists primarily of the exposure risk arising from the exchange rate of USD against RMB. In the first half of 2015, the mid-point rate of RMB appreciated against USD accumulatively by 54 basis points or 0.09%. At 30 June 2015, our net foreign exchange exposure of financial assets/liabilities was USD-4,424 million, representing a decrease of USD5,095 million in absolute terms compared with the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2015		31 December 2014	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	(11,437)	(1,871)	(12,301)	(2,010)
Net foreign exchange exposure of overseas financial assets/liabilities	(15,610)	(2,553)	(45,944)	(7,509)
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	(27,047)	(4,424)	(58,245)	(9,519)

Note: Please refer to "Note 51. Financial Risk Management: Market Risk" to the financial statements for details.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax	
		30 June 2015	31 December 2014
USD	+1%	(70)	(106)
	-1%	70	106
HKD	+1%	(17)	13
	-1%	17	(13)

Non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the exchange rate exposure at the end of the reporting period, the profit before tax would decrease (or increase) by RMB70 million if USD appreciates (or depreciates) against RMB by 1%.

Liquidity Risk

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

Liquidity Risk Management

We closely monitored government monetary policies and market changes and strengthened our research and forecasting of the macro-economic and financial environment, as well as the liquidity market. In strict compliance with our prudent liquidity management principles, we balanced the relationship among liquidity, security and profitability to secure our liquidity. The Bank strengthened the real-time monitoring and flexible adjustment of capital position, ensured sufficient reserve and enhanced efficiency of capital operations. By adjusting and refining the asset and liability structure, we secured and expanded our sources of deposits to ensure reasonable cash flow for matured debts and satisfy the payment need of customers. We duly adjusted capital management strategies to facilitate the centralized management of capital position and the integrated management of both domestic and overseas RMB-denominated funds and adopted differentiated management policies regarding the capital of free trade zone. We enhanced the timeliness, accuracy and effectiveness of monitoring, alert and forecast by optimizing the monitoring, alert, forecast and assessment of liquidity as well as revenue compensation mechanism. In addition, we upgraded and modified the liquidity management system and effectively performed capital management of Shanghai Free Trade Zone and the establishment of an indicator system for monitoring liquidity to enhance electronic liquidity risk management.

Liquidity Risk Analysis

In the first half of 2015, the PBOC maintained reasonable liquidity in the market through measures such as conducting flexible open market operations, integrating non-targeted and targeted reduction of deposit reserve ratio, and implementing Standing Lending Facility ("SLF"), Medium-term Lending Facility ("MLF") and Pledged Supplementary Lending ("PSL") in an appropriate and timely manner. Through reducing the interest rate of MLF and leveraging on the medium-term policy interest rate, the interest rate and the financing costs were decreased in general. We continuously strengthened the monitoring and analysis of the monetary policies, the changes in market liquidity, the development of our asset and liability business and our liquidity condition. As such, the efficiency of fund utilization and our ability to manage liquidity risk were improved on the condition of ensuring the overall liquidity of the Bank. During the reporting period, the arrangement of cash flow for matured debts was reasonable whereas the overall liquidity of the Bank was sufficient, secured and effectively controlled.

Liquidity Gap Analysis

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

In millions of RMB

	Past due	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
30 June 2015	44,773	(7,890,784)	167,118	149,051	561,461	1,451,420	3,965,522	2,472,997	921,558
31 December 2014	31,199	(7,219,512)	93,530	(268,594)	643,121	1,356,724	3,653,251	2,561,936	851,655

Note: Please refer to "Note 51.2 Liquidity Risk" to the financial statements for details.

We assessed liquidity risk through liquidity gap analysis. In order to boost the profitability of assets, we moderately extended asset duration. As a result, the positive gap over five years increased by RMB312,271 million compared to the end of the previous year.

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

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

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

In the first half of 2015, the Bank commenced the application of AMA for operational risk in the measurement of economic capital and continuously optimized the measurement model so as to improve the stability and sensitivity of the measurement. Leveraging the guiding function of economic capital measurement and risk assessment, we optimized the risk management score card consolidated factors including risk management into the measurement of economic capital and improved the risk management system of branch outlets. We further improved key risk indicator system and reinforced the operational risk management of key business. The Reporting Standard for Operational Risk Affairs of Agricultural Bank of China was introduced to further specify the reporting standard and consolidate the loss data base. Specific risk assessment was carried out for business operations in order to enhance the risk control ability in relation to the typical events such as deposit fraud. Furthermore, we also analyzed the business performance of the entire Bank, and improved the policies and planning for operation continuity to enhance the operation continuity management of our sustainable business.

Legal Risk Management

Legal risk refers to any risk of commercial 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 the first half of 2015, we improved our legal risk management mechanism, stepped up law promotion and continuously strengthened legal risk prevention and control efforts through comprehensively managing 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 so as to enhance the legal awareness of all employees. Interpretation of laws was carried out on a regular basis and close attention was paid to the legislative developments through the formulation, amendment and abolishment of rules and regulations. We strengthened and standardized our litigation management and conducted in-depth investigation on typical cases such as "under-the-table contracts" to effectively mitigate major legal risks. Furthermore, legal review, contract management and intellectual property management were also optimized. Our continuous legal efforts were effective in supporting and protecting our business development.

Anti-Money Laundering

In the first half of 2015, we further improved our internal control system in relation to anti-money laundering and anti-terrorist financing. In particular, we established comprehensive money laundering risk management mechanism and continued to optimize the anti-money laundering system. We strengthened anti-money laundering compliance management of overseas institutions and actively cooperated with government departments to fight against money laundering and terrorist financing activities. As such, the compliance and effectiveness of our anti-money laundering works were further enhanced.

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 the first half of 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 to carry out consolidated risk monitoring, analysis and reporting. Consolidated risk management system and risk assessment policies were also refined. We provided guidance to the subsidiaries to improve their risk management systems, so as to strengthen the overall risk management control of the Bank and its subsidiaries and enhance the consolidated risk reporting system.

Reputation Risk Management

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

In the first half of 2015, we conducted inspection on reputation risks to identify potential reputation risks of our branches and business lines, and improved the public opinion analysis, warning and response ability of our branches and business lines as a result. We further expanded the monitoring scope of reputation risk and formulated reporting mechanism 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 attach great importance to improving the reputation risk awareness and media response ability of our foundation-level staff. We drafted the operation manual of reputation risk and prepared animated tutorials in order to clear the procedures of media reception and public opinion to disposal. We made emergency response plan for material reputation events, optimized the prevention and control mechanism with clear responsibilities and focused on 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, monitor 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 the first half of 2015, in response to the complicated and changing international situation, we continued to strengthen the country risk management, refined the country risk management system and procedures, and improved the country risk management system. We closely monitored the daily changes of risk exposure, and tracked, monitored, reported country risk continuously and adjusted country risk limit and control measures in a timely manner. Risk alert mechanism was strengthened and stress tests for country risk were performed to maintain effective management and control over country risk, while we were steadily promoting the strategy to expand our business into international market.

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 in accordance with the capital regulatory requirements of the Capital Rules for Commercial Banks (Provisional), adhered to our general principle of capital management and the target of capital adequacy ratio, and enhanced the capital constraint and returns. The Bank also established a long-acting capital management mechanism, to ensure the capital adequacy ratio can cover risks, create value and comply with regulatory requirements continuously.

During the reporting period, we continued to strengthen the capital constraint, constantly refined the structure of on- and off-balance sheet assets and further optimized the allocation of economic capital on the strategic objectives of value creation and structural optimization. Based on the improvement of the economic capital allocation among branches, we formed an economic capital management mechanism for business lines step by step, to reinforce the capital constraint of our businesses.

In September 2014, we were approved to carry out a non-public issuance of no more than 800 million preference shares in tranches in the PRC with the proceeds of no more than RMB80 billion. On 13 November 2014, we completed the issuance of the first tranche of 400 million preference shares with the proceeds of RMB40 billion. On 18 March 2015, we completed the issuance of the second tranche of 400 million preference shares with the proceeds of RMB40 billion. For details of the issuance of preference shares, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders — Details of Preference Shares".

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

Changes in Ordinary Share Capital

Details of Changes in Shares Capital

Unit: Share

	31 December 2014		Increase/decrease during the reporting period (+,-)			30 June 2015	
	Number of shares	Percentage[4] (%)	New shares issued	Others[3]	Subtotal	Number of shares	Percentage[4] (%)
1) Shares subject to restrictions on sales[1]	**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: 1. "Shares subject to restrictions on sales" refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings.

2. In this table, "State-owned shares" refers to the shares held by the MOF, Huijin, the SSF and the SSF-Account III for state-owned shares transfer which is 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.

3. In this table, "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.

4. 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 restriction on sales
SSF	9,891,764,707	9,891,764,707	—	—	Restriction upon issuance	15 May 2015
Total	**9,891,764,707**	**9,891,764,707**	**—**	**—**	**—**	**—**

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

Details of Issuance and Listing of Securities

In the first half of 2015, the Hong Kong branch of the Bank issued medium-term notes in the principle amounts of RMB500 million, USD384 million, HKD300 million, JPY2,000 million and EUR70 million under the USD15 billion Medium Term Note Programme.

Particulars of Ordinary Shareholders

Number of Shareholders and Particulars of Shareholding

As of 30 June 2015, the Bank had a total of 983,646 shareholders, including 26,406 H Share shareholders and 957,240 A Share shareholders.

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

Unit: Share

Total number of shareholders — **983,646** (as set out in the registers of shareholders of A Shares and H Shares as of 30 June 2015)

Particulars of shareholding of the top 10 shareholders (the data below are based on the registers of shareholders as of 30 June 2015)

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+,-)	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales	Number of shares pledged or locked-up shares
Huijin[1]	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[2]	Overseas legal entity	H shares	-18,031,781	9.03	29,334,426,210	—	Unknown
SSF	State-owned	A shares	—	3.02	9,797,058,826	—	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
China Shuangwei Investment Corporation	Other	A shares	—	0.23	746,268,000	—	None
China Railway Investment Company	Other	A shares	—	0.23	742,974,000	—	None
CNPC Assets Management Co., Ltd.	Other	A shares	-54,645,600	0.17	539,733,400	—	None
GF Securities Co., Ltd. — Client Credit Trading Guarantee Securities Account	Other	A shares	230,865,905	0.11	360,041,484	—	None

Note: 1. The Bank received a letter from Huijin on 18 August 2015, whereby Huijin notified the Bank that it had purchased 1,255,434,700 A Shares of the Bank through share transfer by agreement. Following this purchase, Huijin held 131,260,538,482 A Shares of the Bank, representing approximately 44.64% of the Bank's A Shares and approximately 40.41% of the Bank's total issued share capital. Please refer to the announcements of the Bank published on the website of Hong Kong Stock Exchange dated 19 August 2015 and Shanghai Stock Exchange dated 20 August 2015.

2. All the shares held by HKSCC Nominees Limited represent the total number of H shares held by it as an agent on behalf of all institutional and individual investors registered with it as of 30 June 2015.

Unit: Share

Particulars of shareholding of the top 10 shareholder not subject to restrictions on sales
(the data below are based on the registers of shareholders as of 30 June 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	29,334,426,210	H Shares
SSF	9,797,058,826	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
China Shuangwei Investment Corporation	746,268,000	A Shares
China Railway Investment Company	742,974,000	A Shares
CNPC Assets Management Co., Ltd.	539,733,400	A Shares
GF Securities Co., Ltd. — Client Credit Trading Guarantee Securities Account	360,041,484	A Shares

The Bank is not aware of any connections between the above shareholders or whether they are 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 a regulatory authority responsible for matters in respect of state finance and taxation policies.

As of 30 June 2015, the MOF held 127,361,764,737 shares of the Bank, accounting for approximately 39.21% of the total share capital of the Bank.

Huijin

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

As of 30 June 2015, Huijin held 130,005,103,782 shares of the Bank, accounting for approximately 40.03% of the total share capital of the Bank.

As of 30 June 2015, there was no other corporate shareholder who held 10% or more of the equity interest in the Bank.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As of 30 June 2015, the Bank received notifications from the following persons regarding their interests and short positions in shares or underlying shares of the Bank. Such interests and short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Underlying 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
Citigroup Inc.	Interest of controlled corporation	2,084,944,053 (H Shares)	Long position	6.78	0.64
	Custodian corporation/ approved lending agent	75,506,045 (H Shares)	Short position	0.25	0.02
	Security interest	1,993,631,109 (H Shares)	Lending pool	6.49	0.61
JPMorgan Chase & Co.	Beneficial owner	1,427,010,999 (H Shares)	Long position	4.64	0.44
	Investment manager	158,267,793 (H Shares)	Short position	0.51	0.05
	Custodian corporation/ approved lending agent	608,717,337 (H Shares)	Lending pool	1.98	0.19
Blackrock, Inc.	Interest of controlled corporation	2,095,497,882 (H Shares)	Long position	6.82	0.65
		141,000 (H Shares)	Short position	—	—
Qatar Holding LLC	Beneficial owner	4,267,172,500 (H Shares)	Long position	13.88	1.31
Qatar Investment Authority	Interest of controlled corporation[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 30 June 2015, the MOF held 127,361,764,737 A Shares of the Bank, accounting for 43.31% of the issued A Shares and 39.21% of the total issued shares of the Bank.*

3. *Qatar Investment Authority is deemed to be interested in 4,267,172,500 H Shares of the Bank held by Qatar Holding LLC, a wholly-owned subsidiary of Qatar Investment Authority.*

Details of Preference Shares

Issuance and Listing of Preference Shares

In September 2014, the issuance of no more than 800 million preference shares through private placements in the PRC by the Bank was approved. The issuance of preference shares shall be conducted in several tranches.

The Bank completed the issuance of the first tranche of preference shares on 13 November 2014. The total number of preference shares issued was 400 million and the amount of proceeds raised was RMB40 billion. Each preference share had a nominal value of RMB100 and was issued at nominal value. The coupon rate of the preference shares will be adjusted every five years. The dividend of the preference shares will be paid at an agreed fixed coupon rate annually during each dividend period. The coupon rate of the initial dividend period was determined at 6.00% per annum by a book-building procedure. On 28 November 2014, the issued preference shares were listed on the Shanghai Stock Exchange with stock name of 「農行優 1」 and stock code of 360001. The proceeds from the issuance of the preference shares were used to replenish the additional tier-1 capital of the Bank in accordance with applicable laws and regulations and with the approval of the regulatory authorities.

The Bank completed the issuance of the second tranche of preference shares on 18 March 2015. The total number of preference shares issued was 400 million and the amount of proceeds raised was RMB40 billion. The nominal value, issuance price, the adjustment of coupon rate and method of dividend payment of the preference shares under the issuance were the same as those of the first tranche of preference shares. The coupon rate of the initial dividend period was determined at 5.50% per annum by a book-building procedure. On 27 March 2015, the issued preference shares of the second tranche were listed on the Shanghai Stock Exchange with the stock name of 「農行優 2」 and stock code of 360009. The proceeds from the issuance of the second tranche of preference shares were used to replenish the additional tier-1 capital of the Bank in accordance with applicable laws and regulations and with the approval of the regulatory authorities.

For details of coupon rate, please refer to the announcements of the Bank, *Details of the Non-public Issuance of Preference Shares*, and *Details of the Non-public Issuance of Preference Shares (second tranche)* published on the Shanghai Stock Exchange dated 14 November 2014 and 19 March 2015, respectively.

Number of Shareholders of Preference Shares and their Shareholdings

As of 30 June 2015, the Bank had 25 shareholders[1] of preference shares of "農行優 1".

Particulars of shareholding of the top 10 shareholders of preference shares of "農行優 1" (stock code 360001) *(The data below are based on the registers of shareholders as of 30 June 2015)*

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

Notes: 1. The Bank is not aware of any connections between the above shareholders of preferences shares and between the above shareholders of preferences shares and the top 10 ordinary shareholders or whether they are 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).

As of 30 June 2015, the Bank had 28 shareholders of preference shares of "農行優 2".

1 *The number of the shareholders 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 is counted as one.*

Particulars of shareholding of the top 10 shareholders of preference shares of "農行優 2" (stock code 360009) (The data below are based on the registers of shareholders as of 30 June 2015)

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

Notes:

1. *China Shuangwei Investment Corporation, China National Tobacco Corporation Jiangsu Province Company and China National Tobacco Corporation Yunnan Province Company are wholly-owned subsidiaries of China National Tobacco Corporation. China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu is managed by China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above shareholders of preference shares, and between the above shareholders of preferences shares and the top 10 ordinary shareholders or whether they are acting in concert.*
2. *Shareholding percentage refers to the percentage of shares of "農行優 2" held by the shareholders of preference shares to the total number of shares of "農行優 2"(i.e. 400 million shares).*

The preferences 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 preferences 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 preferences shares.

Profit Distribution for Preferences Shares

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

During the reporting period, there was no payment date of dividend of the preference shares issued by the Bank.

Redemption and Conversion

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

Restoration of Voting Rights

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*, 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 were counted as equity instruments.

Directors, Supervisors and Senior Management of the Bank

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

The Board of Directors of the Bank consisted of fourteen members, including three Executive Directors, namely Mr. LIU Shiyu, Mr. ZHANG Yun 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.

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

The Senior Management of the Bank consisted of seven members, namely Mr. ZHANG Yun, Mr. CAI Huaxiang, Mr. GONG Chao, Mr. LOU Wenlong, Mr. WANG Wei, Mr. LI Zhenjiang and Ms. ZHANG Keqiu.

As of 30 June 2015, except for Mr. ZHENG Xin, our Supervisor, who held 375,000 A shares of the Bank, and Mr. ZHU Gaoming, our former Company Secretary to the Board, who held 1,000 A shares of the Bank, none of the incumbent or former Directors, Supervisors or Senior Management held shares of the Bank. During the reporting period, none of the incumbent or former Directors, Supervisors or Senior Management held share options or were granted restricted shares of the Bank.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 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 2014 first Extraordinary General Meeting. The qualification of Mr. HU Xiaohui was approved by the CBRC on 14 January 2015. The qualification of Mr. ZHANG Dinglong and Mr. CHEN Jianbo was approved by the CBRC on 15 January 2015. The qualification of Mr. XU Jiandong was approved 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 Mr. LU Jianping and Ms. XIAO Xing were elected as Independent Non-executive Directors of the Bank at the 2015 First Extraordinary General Meeting. The eligibility of Ms. XIAO Xing and Mr. LU Jianping were approved by the CBRC on 6 March 2015 and 5 June 2015, respectively.

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 2014 Shareholders' General Meeting of the Bank. The eligibility of Mr. CAI Huaxiang is subject to the ratification by 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 2014 Shareholders' General Meeting. In addition, Mr. DAI Genyou resigned as an external Supervisor of the Bank.

On 29 June 2015, 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 at the seventh meeting of the Board of Supervisors of the Bank in 2015.

Changes in Senior Management

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

On 25 May 2015, Ms. ZHANG Keqiu was appointed as the secretary to the Board, the company secretary and an authorized representative of the Bank at the fourth meeting of the Board of Directors in 2015. The appointment of Ms. ZHANG Keqiu as the company secretary and an authorized representative of the Bank was confirmed by the Hong Kong Stock Exchange which became effective on 25 May 2015. The eligibility of Ms. ZHANG Keqiu as secretary to the Board of the Bank was approved by the CBRC on 24 June 2015.

On 29 June 2015, Mr. LIN Xiaoxuan was appointed as Executive Vice President of the Bank at the fifth meeting of the Board of Directors in 2015. The eligibility of Mr. LIN Xiaoxuan is subject to the ratification by the CBRC.

Corporate Governance

During the reporting period, we strictly complied with the laws and regulations including the *Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China* and normative documents of the regulatory authorities. We further enhanced our corporate governance and operation by strengthening the basic management principles. During the reporting period, we supplemented and adjusted the composition of the Board of Directors, the Board of Supervisors and the special committees thereof, appointed new Executive Directors, Independent Non-executive Directors, Supervisors representing shareholders and External Supervisors. We amended the *Plan on the Authorization of Shareholders' General Meeting to the Board of Directors of Agricultural Bank of China and the Scheme of Authorization to the President by the Board of Directors of Agricultural Bank of China*.

During the reporting period, we complied with all the principles and code provisions of the *Corporate Governance Code* in Appendix 14 to the Hong Kong Listing Rules, and complied with most of the recommended best practices of the *Corporate Governance Code*.

Internal Control and Internal Audit

Internal Control

During the first half of 2015, pursuant to the *Guidelines for Internal Control of Commercial Banks* revised by the CBRC in 2014, the Bank strictly adhered to various regulatory requirements. We continuously improved the internal control system by promoting compliance culture and enhancing the support of information technology, so as to ensure compliance and stable and sound operation of the Bank.

We continued to promote the compliance culture such that the business philosophy of compliance is firmly rooted in our corporate culture. We focused on "Case Studies" for the year and advanced the establishment of a long-term mechanism for our compliance culture. We also promoted law popularization education and stepped up the inspections on employees' behaviour in order to raise their awareness in respect of compliance and law-abiding operation.

We accelerated the establishment of information systems and strengthened technological support. We steadily promoted the development of the second stage of information system for internal control compliance management and enhanced the application of the results of data analysis. In addition, we carried out research and development of the compliance risk monitoring system to enrich the measures for compliance risk monitoring.

We continuously enhanced the establishment of compliance system for internal control to support the business development. We strictly adhered to the *Guidelines for Internal Control of Commercial Banks* and established fundamental frameworks and standards of internal control applicable to all branches. We modified and refined the requirements of system management, streamlined system management process, refined the regulations and systems on a regular basis and implemented operational rules to enhance the effectiveness and operability of the system. Additionally, we strengthened the coordination and management of inspection with a focus on major risks to increase the quality of monitoring and inspection. We conducted inspection for illegal operation and crimes to effectively prevent illegal operation and crimes. We promoted the compliance management of overseas institution and subsidiaries, and explored for the enhancement of compliance management of financial market and assets management business.

Internal Audit

During the reporting period, in accordance with the external regulatory requirements and strategic decisions of the Board of Directors, we adopted a risk-oriented approach to focus on the audit of credit business, financial and accounting business, establishment of branch outlets, disposal of fixed assets and management of employees' behaviour. We carried out special random inspections on internal control, prevent illegal operation and crimes. We implemented the audit on economic responsibilities of the Senior Management and certain overseas institutions, and off-site audit on new loans. In addition, we continuously innovated audit approach, optimized the platform for the informatization of audit and further refined the audit system to effectively enhance our capabilities of supervising and servicing of audit.

Profits and Dividends Distribution

As approved by the 2014 annual general meeting of the Bank, the Bank paid cash dividend to ordinary shareholders whose names appeared on the Bank's register of shareholders at the close of business on 9 July 2015. The cash dividend was RMB1.82 per ten shares (tax included), with a total of RMB59,113 million (tax included). The Bank does not propose to pay any interim dividend for 2015 and will not increase share capital by capitalizing its capital reserve.

Implementation of the Cash Dividend Policy

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

Material Legal Proceedings and Arbitration and Matters of Public Concern

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

As of 30 June 2015, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to RMB3,504 million. The management of the Bank believes that we have made full provisions for the possible losses arising from such legal proceedings and such events will not have any material adverse effect on our financial position or operating results.

Major Acquisition, Disposal and Merger

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

Related Party Transactions

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

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

During the reporting period, the Bank extended loans to related natural person (as defined in the Administrative Measures on Information Disclosure by Listed Companies issued by the CSRC). Such loans were in compliance with our pricing requirements and guarantees were provided for such loans. As of 30 June 2015, the total balance of such loans amounted to RMB2,125,605 and the condition for such loans was normal.

For the related party transactions defined under accounting standards, please refer to "Note 47 Related Party Transactions" to the financial statements.

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 with Non-raised Funds

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

Material Contracts and Performance of Obligations thereof

Material Custody, Contract and Lease

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

Material Guarantees

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

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

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) As long as Huijin continues to hold any of our shares and is deemed to be a controlling shareholder or a related person of a controlling shareholder or the 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, Huijin 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.	15 July 2010	Valid for long term	Continuous commitment and duly performed

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
		(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, such judgment will not be affected by its investments in other commercial banks.			
NSSF	Lock-up of shares	The purchased shares held by the NSSF 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 NSSF 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 NSSF 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 duly performed
The Bank	Refinancing announcement and Commitment	The Board of Directors of the Bank announced the preference share issuance plan on 9 May 2014 and declared that aside 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, among others situations, through offshore issuance of preference shares.	8 May 2014	7 May 2015	Commitment fulfilled

The Ministry of Finance and Huijin, substantial shareholders of the Bank, undertook that they would not reduce their shareholding in the Bank during the unusual fluctuation of the stock market to maintain the stability of the capital market. Please refer to the announcements published by the Bank on the website of the Hong Kong Stock Exchange on 8 July 2015, and the website on the Shanghai Stock Exchange on 9 July 2015 for details.

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

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

Purchase, Sale or Redemption of the Bank's Shares

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

Implementation of Share Incentive Plan

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

Securities Transactions by Directors and Supervisors

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of 30 June 2015, the Bank had not granted any rights to acquire shares or debentures to any of its Directors or Supervisors, nor was any of such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to obtain benefits by means of acquiring shares or debentures of the Bank or any other corporations.

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

As of 30 June 2015, Mr. ZHENG Xin, Supervisor of the Bank, held 375,000 A Shares of the Bank. Save for the above, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which required notification to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the Securities and Futures Ordinance of Hong Kong), or which were required to be recorded in the register referred to in Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to the section headed "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Interim Review

The 2015 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs were reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the PRC and International Standards on Review Engagements, respectively.

Change of External Auditors

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

Consumer Protection

In the first half of 2015, we enhanced the working mechanism and system for financial consumer protection and formulated measures on protection of consumer rights and interests. We actively cooperated with the PBOC in pilot scheme for the application of classification standards for complaints from financial consumers. A number of activities under "Promotion Campaign of Financial Inclusion" were launched to strengthen the education on financial consumers and protect legal interests and rights of financial consumers so as to create a stable and harmonious financial environment.

Appendix I: Capital Adequacy Ratio Information

I. Information of Capital Adequacy Ratio

Pursuant to the *Capital Rules for Commercial Banks (Provisional)* issued by the China Banking Regulatory Commission (hereinafter referred to as the "CBRC"), the Bank disclosed the following information of capital adequacy ratio.

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

II. Scope for Calculating Capital Adequacy Ratio

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

III. Capital Adequacy Ratio and Risk-weighted Assets

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

In millions of RMB, except for percentages

Item	30 June 2015 The Group	30 June 2015 The Bank	31 December 2014 The Group	31 December 2014 The Bank
CET 1 capital, net	1,034,981	1,025,364	986,206	976,752
Additional CET 1, net	79,902	79,899	39,946	39,944
Tier 1 capital, net	1,114,883	1,105,263	1,026,152	1,016,696
Tier 2 capital, net	325,828	325,654	365,407	364,678
Total capital, net	1,440,711	1,430,917	1,391,559	1,381,374
Risk-weighted assets	11,125,503	11,058,282	10,852,619	10,782,764
Credit risk-weighted assets	9,575,804	9,508,507	8,839,230	8,763,153
Market risk-weighted assets	77,848	75,862	69,557	68,449
Operational risk-weighted assets	862,357	858,605	862,357	858,605
Additional risk-weighted assets due to the capital floor requirement	609,494	615,308	1,081,475	1,092,557
CET 1 capital adequacy ratio	9.30%	9.27%	9.09%	9.06%
Tier 1 capital adequacy ratio	10.02%	9.99%	9.46%	9.43%
Capital adequacy ratio	12.95%	12.94%	12.82%	12.81%

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

Item	30 June 2015 The Group	30 June 2015 The Bank	31 December 2014 The Group	31 December 2014 The Bank
Core capital adequacy ratio	10.04%	10.08%	9.91%	9.92%
Capital adequacy ratio	13.20%	13.23%	12.77%	12.76%

IV. Risk Exposure

(I) Credit Risk

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

In millions of RMB

Item	Risk exposures	Risk-weighted assets
Credit risk exposure covered by IRB approach		
Non-retail credit risk	9,227,027	6,150,177
Retail credit risk	2,500,617	605,063
Counterparty credit risk	4,993	3,927

In millions of RMB

Item	Risk exposures	Risk-weighted assets
Credit risk exposure not covered by IRB approach		
On-balance sheet credit risk	7,090,211	1,882,551
of which: asset securitization	4,778	13,500
Off-balance sheet credit risk	478,296	276,396
Counterparty credit risk	9,558	7,463

Please refer to "Discussion and Analysis — Risk Management" in the 2015 interim report for details of overdue loans, non-performing loans and loan loss provisions.

(II) Market Risk

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

In millions of RMB

Item	Capital requirements
Interest rate risk	1,084
Equity risk	—
Foreign exchange risk	5,030
Commodity risk	114
Option risk	—
Total	**6,228**

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

In millions of RMB

Types of the invested entity	Risk exposures of publicly traded equity[1]	Risk exposures of non-publicly traded equity[1]	Unrealized profit or loss on potential risk[2]
Financial institutions	300	1,166	231
Corporations	—	1,985	290
Total	**300**	**3,151**	**521**

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

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

Please refer to "Discussion and Analysis — Risk Management" in the 2015 interim report for details of interest rate risk of the Bank.

(III) Operational Risk

The Bank's operational risk capital requirement measured by standardized approach was RMB68,989 million. Please refer to "Discussion and Analysis – Risk Management" in the 2015 interim report for details of operational risk management.

V. Contrast between Regulatory Consolidation and Accounting Consolidation

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

In millions of RMB

Item	Balance sheet as in financial statement	Balance sheet under regulatory consolidation	Code
Assets			
Cash and balances at central banks	2,829,814	2,829,810	A01
Deposits with banks and other financial institutions	766,389	760,925	A02
Placements with banks and other financial institutions	375,428	375,428	A03
Financial assets designated at fair value and changes included into the profits and losses for the period	399,935	399,927	A04
Derivative financial instruments	7,581	7,581	A05
Financial assets held under resale agreements	647,110	647,110	A06
Interest receivables	108,340	107,595	A07
Loans and advances to customers	8,346,156	8,345,611	A08
Available-for-sale financial assets	1,002,482	987,586	A09
Held-to-maturity investments	2,064,944	2,057,714	A10
Accounts receivable investment	551,077	536,704	A11
Long term equity investment	153	3,005	A12
Fixed assets	150,244	149,773	A13
Land use rights	23,218	23,200	A14
Deferred tax assets	81,183	81,183	A15
Goodwill	1,381	—	A16
Intangible assets	2,745	2,570	A17
Other assets	101,374	75,511	A18
Total assets	**17,459,554**	**17,391,233**	A00

Item	Balance sheet as in financial statement	Balance sheet under regulatory consolidation	Code
Liabilities			
Borrowings from central bank	1,705	1,705	L01
Deposits from banks and other financial institutions	1,359,243	1,361,926	L02
Placements from banks and other financial institutions	290,941	290,941	L03
Financial liabilities designated at fair value and changes included into the profits and losses for the period	343,092	343,095	L04
Financial assets sold under repurchase agreements	98,010	93,344	L05
Due to customers	13,406,292	13,406,359	L06
Derivative financial liabilities	8,219	8,219	L07
Debt securities issued	324,998	324,998	L08
Employee salary payables	40,199	40,008	L09
Taxes payables	32,246	32,216	L10
Interest payables	193,887	193,927	L11
Deferred tax liabilities	3	3	L12
Provisions	15,040	15,040	L13
Other liabilities	223,637	158,591	L14
Total liabilities	**16,337,512**	**16,270,372**	L00
Owner's equity			
Paid-in capital	324,794	324,794	E01
Other equity instruments	79,899	79,899	E02
Capital reserve	98,773	98,773	E03
Surplus reserve	78,639	78,639	E04
General risk reserve	175,530	175,530	E05
Undistributed profits	356,323	356,286	E06
Minority interests	1,713	536	E07
Other comprehensive income	6,371	6,404	E08
of which: Foreign currency translation reserve	(942)	(942)	E09
Total owner's equity	**1,122,042**	**1,120,861**	E00

VI. Composition of Capital

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

In millions of RMB

CET-1 capital		Balance at the end of the reporting period	Code
1	Paid-in capital	324,794	E01
2	Retained earnings	610,455	
2a	Surplus reserve	78,639	E04
2b	General reserve	175,530	E05
2c	Undistributed profits	356,286	E06
3	Accumulated other comprehensive income and disclosed reserve	105,177	
3a	Capital reserve	98,773	E03
3b	Others	6,404	E08
4	Directly issued capital subject to phase out from CET-1 capital (only applicable to non-joint stock companies, banks of joint stock companies just fill with "0")	—	
5	Common share capital issued by subsidiaries and held by third parties	128	
6	**CET-1 capital before regulatory adjustments**	1,040,554	
CET-1 capital: regulatory adjustments			
7	Prudential valuation adjustments	—	
8	Goodwill (net of deferred tax liability)	—	A16
9	Other intangible assets other than land use rights (net of deferred tax liability)	2,570	A17
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	
11	Cash-flow hedge reserve to the items not calculated at fair value	—	
12	Shortfall of provisions to expected losses on loans	—	
13	Securitization gain on sale	—	
14	Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	—	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	—	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	—	
17	Reciprocal cross-holdings in common equity	—	
18	Deductable amount of the CET-1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	—	
19	Deductable amount of the CET-1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	—	

CET-1 capital		Balance at the end of the reporting period	Code
20	Mortgage servicing rights	—	
21	Other deductable amount in the net deferred tax asset that rely on future profitability of the bank	—	
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets that rely on the Bank's future profitability (amount exceeding the 15% of the CET-1 capital)	—	
23	of which: significant investments in the capital of financial institutions	—	
24	of which: mortgage servicing rights	—	
25	of which: deductable amount in other net deferred tax assets that rely on the Bank's future profitability	—	
26a	Investment in CET-1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	3,003	
26b	Shortfall of CET-1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	—	
26c	Total other items deductible from CET-1 capital	—	
27	Regulatory adjustments applied to CET-1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	
28	**Total regulatory adjustments to CET-1 capital**	5,573	
29	**CET-1 capital**	1,034,981	
Additional Tier 1 capital			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	79,899	
31	of which: classified as equity	79,899	E02
32	of which: classified as liabilities	—	
33	Directly issued capital instruments subjects to phase out from Additional Tier 1	—	
34	Minority interest given recognition in Tier 1	3	
35	of which: instruments issued by subsidiaries subject to phase out	(1)	
36	**Additional Tier 1 capital before regulatory adjustments**	79,902	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	—	
39	Additional Tier 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	—	
40	Additional Tier 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	—	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	—	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	—	

CET-1 capital		Balance at the end of the reporting period	Code
41c	Other items deductible from Additional Tier 1 capital	—	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	—	
43	**Total regulatory adjustments to Additional Tier 1 capital**	—	
44	**Additional Tier 1 capital**	79,902	
45	**Tier 1 capital (CET-1 capital + Additional Tier 1 capital)**	1,114,883	
Tier 2 capital			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	135,000	
47	Directly issued capital instruments subject to phase out from Tier 2	105,000	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	10	
49	of which: instruments issued by subsidiaries subject to phase out	—	
50	Excess provisions which can be included in	190,818	
51	**Tier 2 capital before regulatory adjustments**	325,828	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	—	
53	Reciprocal cross-holdings in Tier 2 instruments	—	
54	Tier 2 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	—	
55	Tier 2 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	—	
56a	Investments in Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	—	
56b	Shortfall of Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	—	
56c	Other items deductible from Tier 2 capital	—	
57	**Total regulatory adjustments to Tier 2 capital**	—	
58	**Tier 2 capital**	325,828	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	1,440,711	
60	**Total risk weighed assets**	11,125,503	
Capital adequacy ratios and reserve capital requirements			
61	CET-1 capital adequacy ratio	9.30%	
62	Tier 1 capital adequacy ratio	10.02%	
63	Capital adequacy ratio	12.95%	
64	Institution specific capital requirement	3.50%	
65	of which: reserve capital requirement	2.50%	
66	of which: countercyclical capital requirement	0.00%	
67	of which: additional capital requirement for G-SIB	1.00%	
68	CET-1 capital available to meet buffers (as a percentage of risk weighted assets)	3.24%	

CET-1 capital		Balance at the end of the reporting period	Code
National minima			
69	**CET-1 capital adequacy ratio**	5.00%	
70	**Tier 1 capital adequacy ratio**	6.00%	
71	**Capital adequacy ratio**	8.00%	
Amounts not deducted from the thresholds for deduction			
72	Non-significant investments in the capital of other unconsolidated financial institutions	50,114	
73	Significant investments in the common stock of unconsolidated financial institutions	511	
74	Mortgage servicing rights (net of related tax liability)	—	
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	81,180	A15-L12
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital			
76	Provisions for loan loss actually provided under the weight approach	23,898	
77	Provisions eligible for inclusion in Tier 2 capital excess loan loss under the weight approach	15,117	
78	Provisions for loan loss actually provided under the Internal Ratings-Based approach	186,627	
79	Provisions eligible for inclusion in Tier 2 capital excess loan loss under the Internal Ratings-Based approach	175,701	
Capital instruments subject to phase-out arrangements			
80	Amount included in CET-1 capital due to transitional arrangements	—	
81	Amount excluded from CET-1 capital due to transitional arrangements	—	
82	Amount included in Additional Tier 1 capital due to transitional arrangements	—	
83	Amount excluded from Additional Tier 1 capital due to transitional arrangements	—	
84	Amount included in Tier 2 instruments due to transitional arrangements	105,000	
85	Amount excluded from Tier 2 due to transitional arrangements	20,000	

VII. Main Features of Eligible Capital Instruments

As of the end of June 2015, the eligible capital instruments of the Bank include common stocks, preference shares and Tier 2 capital instrument. As at 15 July 2010, A shares of Agricultural Bank of China Limited were listed on the Shanghai Stock Exchange, and H shares of Agricultural Bank of China Limited were listed on the Hong Kong Stock Exchange as at 16 July 2010. As at September 2014, the Bank was approved to privately issue no more than 800 million preference shares in China to raise no more than RMB80 billion with multiple issuances. As at 13 November 2014, the Bank accomplished the first issuance of 400 million preference shares, with RMB40 billion raised. As at 18 March 2015, the Bank accomplished the second issuance of 400 million preference shares, with RMB40 billion raised. The proceeds raised was included in Additional Tier 1 capital after the deduction of issuance expenses.

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

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

		Ordinary Share of A Shares	Ordinary Share of H shares	Preference Shares	Tier 2 Capital Instruments
9	Par value	RMB1	RMB1	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Liability
11	Original date of issuance	2010-07-15	2010-07-16	2014-10-31 and 2015-03-06	2014-08-18
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
13	of which: Original maturity dates	No maturity date	No maturity date	No maturity date	2024-08-18
14	Issuer call subject to prior regulatory approval	No	No	No	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount	—	—	—	2019-08-18
16	of which: Subsequent call dates	—	—	—	—
17	Bonus or Dividends				
	of which: Fixed or floating dividend/bonus	Floating	Floating	The coupon rate of the preference shares will be adjusted every 5 years. The dividend of the preference shares under the Issuance will be paid at an agreed fixed coupon rate during each dividend adjustment period	Fixed
18	of which: coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	Coupon rate of the first dividend adjustment period of preference shares is 6%. Coupon rate of the second dividend adjustment period of preference shares is 5.5%.	5.8%
19	of which: Existence of a dividend stopper	No	No	Yes	No
20	of which: Whether fully discretionary in cancellation of bonus or dividend	Full discretionary	Full discretionary	Full discretionary	Without discretionary
21	of which: Existence of step up or other incentive to redeem	No	No	No	No
22	of which: cumulative or Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	Yes	No

		Ordinary Share of A Shares	Ordinary Share of H shares	Preference Shares	Tier 2 Capital Instruments
24	of which: If convertible, specify conversion trigger(s)	—	—	(1) If the CET 1 capital adequacy rate of the Bank decreased to 5.125% (or below), the preference shares issued will be fully or partially transferred to ordinary shares of A Share, in order to make the CET 1 capital adequacy rate resumed to above 5.125%. In case of partial transfer, all preference shares issued will be transferred in proportion on the same conditions. (2) All preference shares issued will be transferred into ordinary shares of A Share in case of the earlier occurrence of the following two situations: ① CBRC considers that the Bank could not survive in case no conversion will be carried out; ② relevant authority considers that the Bank could not survive in case no capital injection with public departments or no provision of support with the same effectiveness.	—

	Ordinary Share of A Shares	Ordinary Share of H shares	Preference Shares	Tier 2 Capital Instruments
			If the Bank mandatorily transfer the issued preference shares to ordinary shares, it shall report to the CBRC for investigation and making decision, and shall performance the obligations of disclosure temporary reports, announcements and other information in accordance with *Securities Law of the People's Republic of China* and relevant requirements of the CBRC.	
25 of which: If convertible, fully or partially	—	—	Fully or partially	—
26 of which: If convertible, determine methods for conversion price	—	—	The initial conversion price of the preference shares under the Issuance shall be the average trading price of the ordinary shares of A Share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan (i.e. RMB2.43 per share).	

	Ordinary Share of A Shares	Ordinary Share of H shares	Preference Shares	Tier 2 Capital Instruments
			After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares (excluding the ordinary shares that may be converted from the convertible capital instruments issued by the Bank such as preference shares and convertible corporate bonds, among others), conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events. The specific adjustment measures are as follows: In the event of issuing stock dividends or converting capital reserves to share capital: P1=P0/(1+n); In the event of conducting follow-on issuances of shares or rights issue: P1=P0×(N+Q×(A/M))/(N+Q); Among which: "P0" is the conversion price before the adjustment; "n" is the ratio of stock dividends or	—

	Ordinary Share of A Shares	Ordinary Share of H shares	Preference Shares	Tier 2 Capital Instruments
			converting capital reserves to share capital; "Q" is the number of ordinary shares issued in the follow-on issuances of shares or the rights issue; "N" is the total number of the Bank's ordinary shares before the increase or rights issue; "A" is the subscription price of the follow-on issuances of shares or rights issue; "M" is the newly issued shares' closing price on the trading day one day prior to the date of the effective and irrevocable announcement on offering results in the follow-on issuances of shares or rights issue; P1 is the adjusted conversion price. When the above changes in the Bank's shares and/or shareholder's interests occur, the Bank will adjust the conversion price in sequence, and will make corresponding information disclosure in accordance with relevant requirements. The mandatory conversion price of the preference shares will not be adjusted according to the Bank's distribution of cash dividends on ordinary shares.	

		Ordinary Share of A Shares	Ordinary Share of H shares	Preference Shares	Tier 2 Capital Instruments
27	of which: If convertible, specify mandatory or optional conversion	—	—	Yes	—
28	of which: If convertible, specify instrument type convertible into	—	—	Ordinary Shares	—
29	of which: If convertible, specify issuer of instrument it converts into	—	—	Agricultural Bank of China Limited	—
30	Write-down feature	No	No	No	Yes
31	of which: If write-down, specify write-down trigger(s)	—	—	—	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with public departments or no provision of support with the same effectiveness.
32	of which: If write-down, specify partial or full	—	—	—	Full write-down
33	of which: If write-down, specify permanent or temporary	—	—	—	Permanent write-down
34	of which: If temporary write-down, specify the description of write-up mechanism	—	—	—	—
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments	Subordinate to the depositors and creditors, and prior to Additional Tier 1 capital instrument
36	Non-eligible transitioned features	No	No	No	No
37	of which: If yes, specify non-eligible features	—	—	—	—

Appendix II Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio 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) which became effective from 1st March 2014, 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.

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 134.9% in the second quarter of 2015, representing a decrease of 5.1 percentage points, over the previous quarter. It was primarily due to the increase in net cash outflows resulting from the increase in operational deposits and the decrease in secured lending under the pressure of economic downturn. Our liquidity coverage ratio in the second quarter of 2015 resumed its growth after a drop, primarily due to a substantial decrease in secured lending and inflows from fully performing exposures in April followed by a gradual increase in May, as well as an increase in qualified high-quality liquid assets in June. Our qualified high-quality liquid assets mainly comprise of securities with a 0% risk weight guaranteed or issued by sovereigns and part of central bank reserves that can be drawn in times of stress. The averages of the observations of the LCR and individual line items over the second 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)		344,950,915
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	871,370,932	87,137,093
3	*Stable deposits*	—	—
4	*Less stable deposits*	871,370,932	87,137,093
5	Unsecured wholesale funding, of which:	543,583,185	184,881,542
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	329,790,255	82,438,453
7	*Non-operational deposits (all counterparties)*	211,131,320	99,781,479
8	*Unsecured debt*	2,661,610	2,661,610
9	Secured wholesale funding		1,095,033
10	Additional requirements, of which:	119,057,934	24,248,356
11	*Outflows related to derivative exposures and other collateral requirements*	15,629,122	15,629,122
12	*Outflows related to loss of funding on debt products*	—	—
13	*Credit and liquidity facilities*	103,428,812	8,619,234
14	Other contractual funding obligations	66,793,448	1,165,213
15	Other contingent funding obligations	54,425,011	29,491,477
16	TOTAL CASH OUTFLOWS		328,018,714
CASH INFLOWS			
17	Secured lending (eg reverse repos and borrow securites)	12,083,859	12,083,859
18	Inflows from fully performing exposures	79,789,310	44,362,067
19	Other cash inflows	16,174,222	15,893,356
20	TOTAL CASH INFLOWS	108,047,391	72,339,282
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		344,950,915
22	TOTAL NET CASH OUTFLOWS		255,679,432
23	LIQUIDITY COVERAGE RATIO (%)		134.9%

Appendix III Leverage Ratio Information

At the end of June 2015, the Bank's leverage ratio, calculated in accordance with the Rules for the Administration of the Leverage Ratio of Commercial Banks (amended), was 5.90%. 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		Balance
1	Total consolidated assets	17,459,554
2	Adjustment for consolidation	(68,321)
3	Adjustment for clients' assets	—
4	Adjustments for derivatives	9,164
5	Adjustment for securities financing transactions	—
6	Adjustment for off-balance sheet items	1,511,340
7	Other adjustments	(5,573)
8	Adjusted on-and off-balance sheet assets	18,906,164

Item		Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	16,736,542
2	Less: deductions from Tier 1 capital	(5,573)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	16,730,969
4	Replacement cost of all derivatives (net of eligible margin)	3,909
5	Potential exposure of all derivatives	12,836
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**	16,745
12	Securities financing transaction assets for accounting purpose	647,110
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**	647,110
17	Off-balance sheet items	2,130,137
18	Less: off-balance sheet items, before any deduction for credit conversion	(618,797)
19	**Adjusted off-balance sheet items**	1,511,340
20	Tier 1 capital, net	1,114,883
21	Adjusted on-and off-balance sheet assets	18,906,164
22	**Leverage ratio**	5.90%

Interim Financial Report

羅兵咸永道

To the Board of Directors of Agricultural Bank of China Limited

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

Introduction

We have reviewed the interim financial information set out on pages 117 to 221, which comprises the condensed consolidated interim statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2015

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
		2015	**2014**
	Notes	**(Unaudited)**	**(Unaudited)**
Interest income	6	363,830	337,832
Interest expense	6	(144,337)	(128,394)
Net interest income	6	219,493	209,438
Fee and commission income	7	50,160	50,441
Fee and commission expense	7	(2,517)	(2,593)
Net fee and commission income	7	47,643	47,848
Net trading gain	8	688	2,798
Net gain on financial instruments designated at fair value through profit or loss	9	966	533
Net gain on investment securities		801	25
Other operating income	10	6,718	7,267
Operating income		276,309	267,909
Operating expenses	11	(102,309)	(103,386)
Impairment losses on assets	12	(39,321)	(28,939)
Profit before tax		134,679	135,584
Income tax expense	13	(30,115)	(31,517)
Profit for the period		104,564	104,067
Attributable to:			
Equity holders of the Bank		104,315	104,032
Non-controlling interests		249	35
		104,564	104,067
Earnings per share attributable to the equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	15	0.32	0.32

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit for the period	104,564	104,067
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	5,499	21,899
Income tax impact for fair value changes on available-for-sale financial assets	(1,392)	(5,405)
Foreign currency translation differences	(89)	128
Other comprehensive income, net of tax	4,018	16,622
Total comprehensive income for the period	108,582	120,689
Total comprehensive income attributable to:		
Equity holders of the Bank	108,421	120,597
Non-controlling interests	161	92
	108,582	120,689

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

Condensed Consolidated Interim Statement of Financial Position

At 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Assets			
Cash and balances with central banks	16	2,829,814	2,743,065
Deposits with banks and other financial institutions	17	766,389	572,805
Precious metals		23,532	20,188
Placements with and loans to banks and other financial institutions	18	375,428	407,062
Financial assets held for trading	19	61,303	58,425
Financial assets designated at fair value through profit or loss	20	338,632	356,235
Derivative financial assets	21	7,581	7,195
Financial assets held under resale agreements	22	647,110	509,418
Loans and advances to customers	23	8,346,156	7,739,996
Available-for-sale financial assets	24	1,002,482	927,903
Held-to-maturity investments	25	2,064,944	1,710,950
Debt instruments classified as receivables	26	551,077	522,117
Investment in associate	27	153	—
Property and equipment	28	150,244	154,950
Goodwill		1,381	1,381
Deferred tax assets	29	81,183	78,640
Other assets	30	212,145	163,822
Total assets		17,459,554	15,974,152
Liabilities			
Borrowings from central banks		1,705	80,121
Deposits from banks and other financial institutions	31	1,359,243	831,141
Placements from banks and other financial institutions	32	290,941	224,923
Financial liabilities held for trading	33	24,081	25,211
Financial liabilities designated at fair value through profit or loss	34	319,011	347,282
Derivative financial liabilities	21	8,219	7,240
Financial assets sold under repurchase agreements	35	98,010	131,021
Due to customers	36	13,406,292	12,533,397
Dividends payable	14	59,113	—
Debt securities issued	37	324,998	325,167
Deferred tax liabilities	29	3	43
Other liabilities	38	445,896	435,987
Total liabilities		16,337,512	14,941,533

At 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Equity			
Ordinary shares	39	324,794	324,794
Preference shares	40	79,899	39,944
Capital reserve	41	98,773	98,773
Investment revaluation reserve	42	7,313	3,118
Surplus reserve	43	78,639	78,594
General reserve	44	175,530	156,707
Retained earnings		356,323	329,989
Foreign currency translation reserve		(942)	(853)
Equity attributable to equity holders of the Bank		1,120,329	1,031,066
Non-controlling interests		1,713	1,553
Total equity		1,122,042	1,032,619
Total equity and liabilities		17,459,554	15,974,152

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

Approved and authorized for issue by the Board of Directors on 27 August 2015.

Chairman

Executive Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes	Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2015 (Audited)		324,794	39,944	98,773	3,118	78,594	156,707	329,989	(853)	1,031,066	1,553	1,032,619
Profit for the period		—	—	—	—	—	—	104,315	—	104,315	249	104,564
Other comprehensive income/(expenses)		—	—	—	4,195	—	—	—	(89)	4,106	(88)	4,018
Total comprehensive income/(expenses) for the period		—	—	—	4,195	—	—	104,315	(89)	108,421	161	108,582
Issuance of preference shares	40	—	39,955	—	—	—	—	—	—	39,955	—	39,955
Appropriation to surplus reserve	43	—	—	—	—	45	—	(45)	—	—	—	—
Appropriation to general reserve	44	—	—	—	—	—	18,823	(18,823)	—	—	—	—
Dividends	14	—	—	—	—	—	—	(59,113)	—	(59,113)	(1)	(59,114)
As at 30 June 2015 (Unaudited)		**324,794**	**79,899**	**98,773**	**7,313**	**78,639**	**175,530**	**356,323**	**(942)**	**1,120,329**	**1,713**	**1,122,042**
As at 1 January 2014 (Audited)		324,794	—	98,773	(22,772)	60,632	139,204	243,482	(1,005)	843,108	1,429	844,537
Profit for the period		—	—	—	—	—	—	104,032	—	104,032	35	104,067
Other comprehensive income		—	—	—	16,437	—	—	—	128	16,565	57	16,622
Total comprehensive income for the period		—	—	—	16,437	—	—	104,032	128	120,597	92	120,689
Appropriation to surplus reserve	43	—	—	—	—	57	—	(57)	—	—	—	—
Appropriation to general reserve	44	—	—	—	—	—	17,469	(17,469)	—	—	—	—
Dividends	14	—	—	—	—	—	—	(57,489)	—	(57,489)	—	(57,489)
As at 30 June 2014 (Unaudited)		324,794	—	98,773	(6,335)	60,689	156,673	272,499	(877)	906,216	1,521	907,737
Profit for the period		—	—	—	—	—	—	75,429	—	75,429	14	75,443
Other comprehensive income		—	—	—	9,453	—	—	—	24	9,477	18	9,495
Total comprehensive income for the period		—	—	—	9,453	—	—	75,429	24	84,906	32	84,938
Issuance of preference shares	40	—	39,944	—	—	—	—	—	—	39,944	—	39,944
Appropriation to surplus reserve	43	—	—	—	—	17,905	—	(17,905)	—	—	—	—
Appropriation to general reserve	44	—	—	—	—	—	34	(34)	—	—	—	—
As at 31 December 2014 (Audited)		**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 condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2015
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	**2014 (Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	134,679	135,584
Adjustments for:		
Amortization of intangible assets and other assets	1,348	1,265
Depreciation of property and equipment	8,279	8,069
Impairment losses on assets	39,321	28,939
Interest income arising from investment securities	(68,574)	(58,074)
Interest income arising from impaired loans and advances to customers	(823)	(380)
Interest expense on debt securities issued	5,522	4,741
Net gain on investment securities	(801)	(25)
Net gain on disposal of property, equipment and other assets	(88)	(208)
Net foreign exchange loss/(gain)	1,439	(1,301)
	120,302	118,610
Net change in operating assets and operating liabilities:		
Net increase in balances with central banks, deposits with banks and other financial institutions	(86,670)	(266,160)
Net increase in placements with and loans to banks and other financial institutions	(24,217)	(45,738)
Net (increase)/decrease in financial assets held under resale agreements	(120,775)	64,541
Net increase in loans and advances to customers	(630,656)	(621,335)
Net (decrease)/increase in borrowings from central banks	(78,416)	37
Net increase in placements from banks and other financial institutions	66,018	56,765
Net increase in due to customers and deposits from banks and other financial institutions	1,400,997	1,181,451
Increase in other operating assets	(41,515)	(55,684)
(Decrease)/increase in other operating liabilities	(34,366)	98,596
Cash from operations	570,702	531,083
Income tax paid	(50,354)	(51,485)
NET CASH FROM OPERATING ACTIVITIES	520,348	479,598

(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
		2015	2014
	Notes	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		394,329	280,469
Cash received from interest income arising from investment securities		59,756	45,570
Cash received from disposal of investment in joint venture		—	1
Cash received from disposal of property, equipment and other assets		718	651
Cash paid for purchase of investment securities		(847,439)	(421,384)
Cash paid for purchase of property, equipment and other assets		(7,385)	(9,019)
NET CASH USED IN INVESTING ACTIVITIES		(400,021)	(103,712)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from preference shareholders		40,000	—
Cash payments for transaction cost of preference shares issued		(56)	—
Cash received from debt securities issued		176,530	106,204
Cash payments for transaction cost of debt securities issued		(10)	—
Repayments of debt securities issued		(176,254)	(97,126)
Cash payments for interest on debt securities issued		(5,390)	(5,885)
Dividends paid to non-controlling interests		(1)	—
NET CASH FROM FINANCING ACTIVITIES		34,819	3,193
NET INCREASE IN CASH AND CASH EQUIVALENTS		155,146	379,079
CASH AND CASH EQUIVALENTS AT 1 JANUARY		738,241	813,799
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(704)	656
CASH AND CASH EQUIVALENTS AT 30 JUNE	**45**	**892,683**	**1,193,534**
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		279,377	265,520
Interest paid		(137,941)	(114,604)

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

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014, which have been audited.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

In the current interim period, the Group has adopted the following amendments to the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2014.

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
Amendments to IFRSs	Annual Improvements to IFRSs 2010 — 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 — 2013 Cycle

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

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

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

			Effective for annual periods beginning on or after
(1)	IFRS 14	Regulatory Deferral Account	1 January 2016
(1)	Amendments to IFRS 11	Acquisition of Interests in Joint Operations	1 January 2016
(1)	Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
(1)	Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
(1)	Amendments to IFRS 10 and IAS 28	On the Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	1 January 2016
(1)	Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016
(1)	Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 cycle	1 January 2016
(2)	IFRS 15	Revenue from Contracts with Customers	1 January 2018
(2)	IFRS 9	Financial Instruments	1 January 2018
(3)	Amendments to IFRS 10 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
(4)	Amendments to IAS 1	Disclosure Initiative	1 January 2016

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(1) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2014. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(2) Descriptions of IFRS 15 and IFRS 9 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2014. The Group is in the process of assessing the impact on the Group's consolidated financial statements from these new standards.

(3) 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.

The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture to its investments, or to unwind the fair value measurement and instead perform a consolidation of the investments at the level of the investment entity associate or joint venture.

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

(4) 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.

(Amounts in millions of Renminbi, unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2014.

5 LIST OF SUBSIDIARIES

The following are the principal subsidiaries of the Bank as at 30 June 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	EUR 20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB1,400,000,000	100.00	100.00	Banking

(Amounts in millions of Renminbi, unless otherwise stated)

5 LIST OF SUBSIDIARIES (Continued)

During the six months ended 30 June 2015, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(i) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over 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. During the six months ended 30 June 2015 and the year ended 31 December 2014, there was no objective evidence noted for any goodwill impairment.

6 NET INTEREST INCOME

	Six months ended 30 June	
	2015	**2014**
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	165,807	157,996
Personal loans and advances	72,050	66,456
Discounted bills	4,880	2,674
Held-to-maturity investments	38,400	31,240
Available-for-sale financial assets	20,395	16,320
Balances with central banks	20,112	19,524
Deposits with banks and other financial institutions	12,590	9,959
Financial assets held under resale agreements	12,047	15,857
Debt instruments classified as receivables	9,779	10,514
Placements with and loans to banks and other financial institutions	6,692	6,120
Financial assets held for trading	957	1,019
Financial assets designated at fair value through profit or loss	121	153
Subtotal	363,830	337,832
Interest expense		
Due to customers	(118,098)	(106,491)
Deposits from banks and other financial institutions	(16,493)	(11,931)
Debt securities issued	(5,522)	(4,741)
Placements from banks and other financial institutions	(2,253)	(4,504)
Financial assets sold under repurchase agreements	(492)	(726)
Borrowings from central banks	(1,479)	(1)
Subtotal	(144,337)	(128,394)
Net interest income	219,493	209,438
Interest income accrued on impaired financial assets (included within interest income)	823	380

(Amounts in millions of Renminbi, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2015	**2014**
Fee and commission income		
Agency services	16,153	13,237
Bank card	10,408	9,261
Settlement and clearing services	9,492	12,383
Consultancy and advisory services	6,450	7,876
Electronic banking services	4,375	3,855
Custodian and other fiduciary	1,679	2,077
Credit commitment	1,496	1,637
Others	107	115
Subtotal	50,160	50,441
Fee and commission expense		
Bank card	(1,050)	(1,026)
Settlement and clearing services	(844)	(887)
Electronic banking services	(342)	(422)
Others	(281)	(258)
Subtotal	(2,517)	(2,593)
Net fee and commission income	**47,643**	**47,848**

8 NET TRADING GAIN

		Six months ended 30 June	
		2015	**2014**
Net gain on precious metals	(1)	453	492
Net gain on held-for-trading debt securities		131	839
Net gain on foreign exchange rate derivatives		116	1,473
Net loss on interest rate derivatives		(12)	(6)
Total		**688**	**2,798**

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

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

	Six months ended 30 June	
	2015	**2014**
Net gain on principal guaranteed wealth management products	909	495
Net gain on debt securities	25	10
Others	32	28
Total	**966**	**533**

(Amounts in millions of Renminbi, unless otherwise stated)

10 OTHER OPERATING INCOME

	Six months ended 30 June	
	2015	**2014**
Insurance premium	4,384	4,884
Government grant	1,789	796
Rental income	140	160
Gain on disposal of property and equipment	93	181
Net (loss)/gain on foreign exchange	(5)	737
Others	317	509
Total	**6,718**	**7,267**

11 OPERATING EXPENSES

		Six months ended 30 June	
		2015	**2014**
Staff costs	(1)	53,679	52,650
General operating and administrative expenses		17,757	17,245
Business tax and surcharges	(2)	15,059	14,457
Depreciation and amortization		9,627	9,334
Insurance benefits and claims		4,476	4,889
Provision for guarantees and commitments		1,343	4,341
Others		368	470
Total		**102,309**	**103,386**

(1) Staff costs

	Six months ended 30 June	
	2015	**2014**
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	34,387	34,304
Housing funds	4,279	3,814
Social insurance	2,530	2,184
Including: Medical insurance	2,194	1,888
Employment injury insurance	151	136
Maternity insurance	185	160
Labor union fees and staff education expenses	1,521	1,515
Others	3,151	3,133
Subtotal	45,868	44,950
Defined contribution benefits	7,672	7,141
Early retirement benefits	139	559
Total	**53,679**	**52,650**

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES (Continued)

(2) Business tax for the Group's Domestic Operations is generally calculated as 5% of taxable income, which was declared and paid with 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 MOF and the State Administration of Taxation 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 State Administration of Taxation 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. Upon the effectiveness of this new circular (Cai Shui [2015] No. 67) from 1 May 2015, the then existing circular (Cai Shui [2014] No. 5) was superseded.

Additionally, city construction and maintenance tax is calculated as 1%–7% of business tax for the Group's Domestic Operations.

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

12 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2015	**2014**
Loans and advances to customers	38,874	27,085
Held-to-maturity investments	471	171
Debt instruments classified as receivables	78	371
Property and equipment	—	7
Available-for-sale financial assets	(1)	(32)
Placements with and loans to banks and other financial institutions	(286)	988
Others	185	349
Total	**39,321**	**28,939**

(Amounts in millions of Renminbi, unless otherwise stated)

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	**2014**
Current income tax		
— PRC Enterprise Income Tax	33,830	32,968
— Hong Kong Profits Tax	142	151
— Other jurisdictions	118	65
Subtotal	34,090	33,184
Deferred tax (Note 29)	(3,975)	(1,667)
Total	**30,115**	**31,517**

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

The tax charges for the six months ended 30 June 2015 and 2014 can be reconciled to the profit per the condensed consolidated interim income statements as follows:

		Six months ended 30 June	
		2015	**2014**
Profit before tax		134,679	135,584
Tax calculated at applicable PRC statutory tax rate of 25%		33,670	33,896
Tax effect of income not taxable for tax purpose	(1)	(3,790)	(3,414)
Tax effect of items such as expenses not deductible for tax purpose		241	1,039
Effect of different tax rates in other jurisdictions		(6)	(4)
Income tax expense		**30,115**	**31,517**

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

(Amounts in millions of Renminbi, unless otherwise stated)

14 DIVIDENDS

		Six months ended 30 June	
		2015	**2014**
Dividends on ordinary shares recognized as distribution during the period			
Cash dividend related to 2014	(1)	59,113	—
Cash dividend related to 2013	(2)	—	57,489
		59,113	**57,489**

No dividends related to the period from 1 January to 30 June 2015 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2015.

(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 dividends payable as at 30 June 2015 and was paid in July 2015.

(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 dividends payable as at 30 June 2014 and was paid in July 2014.

15 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	**2014**
Earnings:		
Profit for the period attributable to equity holders of the Bank	104,315	104,032
Less: profit for the period attributable to preference shareholders of the Bank	—	—
Profit for the period attributable to ordinary shareholders of the Bank	104,315	104,032
Number of shares:		
Weighted average number of ordinary shares in issue (million)	324,794	324,794
Basic and diluted earnings per share (RMB yuan)	0.32	0.32

The Bank issued non-cumulative preference shares during the year ended 31 December 2014 and the six months ended 30 June 2015, respectively, under the terms and conditions as detailed in Note 40 Preference Shares.

(Amounts in millions of Renminbi, unless otherwise stated)

15 EARNINGS PER SHARE (Continued)

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to ordinary shareholders of the Bank. The Bank has not declared any dividend on preference shares for the period ended 30 June 2015.

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

16 CASH AND BALANCES WITH CENTRAL BANKS

		30 June 2015	31 December 2014
Cash		99,771	111,962
Mandatory reserve deposits with central banks	(1)	2,339,302	2,409,181
Surplus reserve deposits with central banks	(2)	253,092	49,253
Other deposits with central banks	(3)	137,649	172,669
Total		**2,829,814**	**2,743,065**

(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.

As at 30 June 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) and effective 12 March 2015, RMB mandatory reserve deposits with the PBOC were based on 16.5% of qualified RMB deposits (31 December 2014: 18%), while for the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits were based on 18.5% 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 are 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 placed with the PBOC that are not available for use in the Group's daily operations. These fiscal deposits are non-interest bearing.

(Amounts in millions of Renminbi, unless otherwise stated)

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2015	31 December 2014
Deposits with:		
Domestic banks	736,182	543,394
Other domestic financial institutions	6,907	2,021
Overseas banks	23,300	27,390
Total	**766,389**	**572,805**

As at 30 June 2015, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB1,726 million (31 December 2014: RMB1,833 million). These deposits were mainly security deposits pledged with exchanges.

18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2015	31 December 2014
Placements with and loans to:		
Domestic banks	72,055	124,060
Other domestic financial institutions	276,532	267,358
Overseas banks	28,336	17,400
Gross amount	376,923	408,818
Allowance for impairment losses — collectively assessed	(1,495)	(1,756)
Placements with and loans to banks and other financial institutions, net	**375,428**	**407,062**

19 FINANCIAL ASSETS HELD FOR TRADING

		30 June 2015	31 December 2014
Debt securities issued by:			
Governments		4,373	3,545
Public sector and quasi-governments		24,748	23,445
Financial institutions		5,778	1,112
Corporates		9,776	12,708
Subtotal		44,675	40,810
Precious metal contracts		16,628	17,615
Total		61,303	58,425
Analyzed as:			
Listed outside Hong Kong	(1)	44,675	40,632
Unlisted		16,628	17,793
Total		**61,303**	**58,425**

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

(Amounts in millions of Renminbi, unless otherwise stated)

20 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2015	31 December 2014
Debt securities issued by:			
Governments		6,995	11,235
Public sector and quasi-governments		24,633	25,278
Financial institutions		16,996	2,899
Corporates		4,548	6,681
Subtotal		53,172	46,093
Interests in trust products	(1)	242,266	248,794
Other debt instruments	(1)	41,365	59,876
Equity instruments		1,829	1,472
Total		**338,632**	**356,235**
Analyzed as:			
Listed in Hong Kong		815	816
Listed outside Hong Kong	(2)	30,343	31,963
Unlisted		307,474	323,456
Total		**338,632**	**356,235**

(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, which have been disclosed in Note 48 Structured Entities.

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

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. As at 30 June 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.

	30 June 2015		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	395,412	3,712	(3,116)
Currency swaps	473,658	2,338	(3,913)
Cross-currency interest rate swaps	3,026	110	(113)
Currency options	33,794	50	(47)
Subtotal		6,210	(7,189)
Interest rate derivatives			
Interest rate swaps	198,132	917	(999)
Precious metal contracts	13,009	454	(31)
Total derivative financial assets and liabilities		**7,581**	**(8,219)**

	31 December 2014		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	340,045	3,078	(2,241)
Currency swaps	481,198	2,476	(3,675)
Cross-currency interest rate swaps	6,785	192	(251)
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)**

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 30 June 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 52 Capital Management.

	30 June 2015	31 December 2014
Credit risk weighted amount for counterparty	11,390	12,576

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2015	31 December 2014
Analyzed by collateral type:		
Debt securities	111,947	209,160
Bills	535,163	300,258
Total	**647,110**	**509,418**

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in Note 49 Contingent Liabilities and Commitments — Collateral.

23 LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	30 June 2015	31 December 2014
Corporate loans and advances		
Loans and advances	5,865,149	5,516,854
Discounted bills	293,618	180,229
Subtotal	6,158,767	5,697,083
Personal loans and advances	2,568,682	2,400,984
Gross loans and advances	8,727,449	8,098,067
Allowance for impairment losses		
Individually assessed	(94,212)	(73,094)
Collectively assessed	(287,081)	(284,977)
Total allowance for impairment losses	(381,293)	(358,071)
Loans and advances to customers, net	**8,346,156**	**7,739,996**

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Loans and advances for which the allowance is collectively assessed[(1)]	Identified impaired loans and advances[(2)]				
		For which the allowance is collectively assessed	For which the allowance is individually assessed	Subtotal	Total	Identified impaired gross loans and advances as a % of total gross loans and advances
30 June 2015						
Gross loans and advances	8,567,906	26,072	133,471	159,543	8,727,449	1.83
Allowance for impairment losses	(264,253)	(22,828)	(94,212)	(117,040)	(381,293)	
Loans and advances to customers, net	**8,303,653**	**3,244**	**39,259**	**42,503**	**8,346,156**	
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	**7,702,711**	**6,472**	**30,813**	**37,285**	**7,739,996**	

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Six months ended 30 June 2015		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2015	73,094	284,977	358,071
Impairment allowance on loans charged	39,285	40,951	80,236
Reversal of impairment allowance	(4,787)	(36,575)	(41,362)
Net additions	34,498	4,376	38,874
Write-offs and transfer out	(13,093)	(2,270)	(15,363)
Recovery of loans and advances written off in previous years	400	207	607
Unwinding of discount on allowance	(627)	(196)	(823)
Exchange difference	(60)	(13)	(73)
30 June 2015	**94,212**	**287,081**	**381,293**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		30 June 2015	31 December 2014
Debt securities issued by:			
Governments		172,384	147,513
Public sector and quasi-governments		451,044	449,232
Financial institutions		162,319	138,698
Corporates		205,153	186,574
Subtotal		990,900	922,017
Fund investments	(1)	7,253	3,358
Equity instruments		4,329	2,528
Total		**1,002,482**	**927,903**
Analyzed as:			
Debt securities			
Listed in Hong Kong		28,929	19,163
Listed outside Hong Kong	(2)	955,217	892,466
Unlisted		6,754	10,388
Equity instruments and fund investments Listed in Hong Kong		83	79
Listed outside Hong Kong		9,175	4,307
Unlisted	(3)	2,324	1,500
Total		**1,002,482**	**927,903**

(1) The Group's available-for-sale fund investments have been disclosed in Note 48 Structured Entities.

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

(3) As at 30 June 2015, unlisted equity instruments of the Group amounted to RMB313 million were measured at cost because their fair value cannot be reliably measured (31 December 2014: RMB284 million).

(Amounts in millions of Renminbi, unless otherwise stated)

25 HELD-TO-MATURITY INVESTMENTS

		30 June 2015	31 December 2014
Debt securities issued by:			
Governments		617,881	548,330
Public sector and quasi-governments		1,050,612	936,274
Financial institutions		190,732	67,878
Corporates		207,075	159,349
Gross amount		2,066,300	1,711,831
Allowance for impairment losses — Collectively assessed		(1,356)	(881)
Held-to-maturity investments, net		2,064,944	1,710,950
Analyzed as:			
Listed in Hong Kong		3,384	1,381
Listed outside Hong Kong	(1)	2,048,357	1,700,044
Unlisted		13,203	9,525
Total		**2,064,944**	**1,710,950**

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

26 DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

		30 June 2015	31 December 2014
Debt instruments:			
Receivable from the MOF	(1)	278,314	278,314
Special government bond	(2)	93,300	93,300
Government bonds		8,515	—
Financial institution bonds		67,457	45,334
Public sector and quasi-governments bonds		49,777	56,141
Corporate bonds		34,482	35,020
Certificate treasury bonds and savings treasury bonds		4,023	3,590
Others	(3)	16,488	11,621
Gross amount, unlisted		552,356	523,320
Allowance for impairment losses			
Individually assessed		(547)	(478)
Collectively assessed		(732)	(725)
Total allowance for impairment losses		(1,279)	(1,203)
Debt instruments classified as receivables, net		**551,077**	**522,117**

(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 Ministry of Finance (the "MOF"), receivable from the MOF is to be settled annually over a tentative period of 15 years starting from 1 January 2008 at an interest 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 unconsolidated structured entities held by the Group as disclosed in Note 48 Structured Entities.

(Amounts in millions of Renminbi, unless otherwise stated)

27 INVESTMENT IN ASSOCIATE

	30 June 2015	31 December 2014
Carrying amount	153	—

On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, herein referred to as BSCA.Bank), which was 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. The Bank has pre-paid the first-phase capital injection of EUR20,330,144 (equivalent to XAF13,335,700,000) in December 2014, and this prepayment was included in Other Assets as at 31 December 2014. The Bank's commitment to the second-phase capital injection is included in Note 49 Contingent Liabilities and Commitment — Capital Commitment.

28 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	453	732	2	2,967	4,154
Transfers	3,758	94	—	(3,852)	—
Disposals	(726)	(291)	(89)	(189)	(1,295)
30 June 2015	146,280	56,583	4,727	22,811	230,401
Accumulated depreciation					
1 January 2015	(38,733)	(30,788)	(2,753)	—	(72,274)
Charge for the period	(4,021)	(4,093)	(165)	—	(8,279)
Eliminated on disposals	334	290	88	—	712
30 June 2015	(42,420)	(34,591)	(2,830)	—	(79,841)
Allowance for impairment losses					
1 January 2015	(299)	(9)	(2)	(8)	(318)
Impairment loss	—	—	—	—	—
Eliminated on disposals	2	—	—	—	2
30 June 2015	(297)	(9)	(2)	(8)	(316)
Carrying value					
30 June 2015	103,563	21,983	1,895	22,803	150,244
1 January 2015	103,763	25,251	2,059	23,877	154,950

(Amounts in millions of Renminbi, unless otherwise stated)

28 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 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 values					
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 30 June 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.

(Amounts in millions of Renminbi, unless otherwise stated)

28 PROPERTY AND EQUIPMENT (Continued)

The carrying amounts of buildings located on land with the following remaining lease terms are as follows:

	30 June 2015	31 December 2014
Held in Hong Kong		
on long-term lease (over 50 years)	118	117
Held outside Hong Kong		
on long-term lease (over 50 years)	5,078	4,869
on medium-term lease (10–50 years)	90,363	89,601
on short-term lease (less than 10 years)	8,004	9,176
Subtotal	103,445	103,646
Total	**103,563**	**103,763**

29 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:

	30 June 2015	31 December 2014
Deferred tax assets	81,183	78,640
Deferred tax liabilities	(3)	(43)
Net	**81,180**	**78,597**

(Amounts in millions of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION (Continued)

(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	Others	Total
1 January 2015	67,514	6,248	2,235	3,476	(900)	24	78,597
Credit/(charge) to the income statement	4,038	(11)	(267)	284	(85)	16	3,975
Charge to other comprehensive income	—	—	—	—	(1,392)	—	(1,392)
30 June 2015	**71,552**	**6,237**	**1,968**	**3,760**	**(2,377)**	**40**	**81,180**

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2014	56,137	6,165	2,589	1,181	8,011	(16)	74,067
Credit/(charge) to the income statement	11,377	83	(354)	2,295	(289)	40	13,152
Credit to other comprehensive income	—	—	—	—	(8,622)	—	(8,622)
31 December 2014	**67,514**	**6,248**	**2,235**	**3,476**	**(900)**	**24**	**78,597**

(Amounts in millions of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION (Continued)

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

	30 June 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	286,260	71,552	270,124	67,514
Accrued but not paid staff cost	24,948	6,237	24,992	6,248
Provision	15,040	3,760	13,902	3,476
Fair value changes of financial instruments	8,882	2,220	10,404	2,601
Early retirement benefits	7,873	1,968	8,938	2,235
Others	256	63	228	57
Subtotal	343,259	85,800	328,588	82,131
Deferred tax liabilities				
Fair value changes of financial instruments	(18,387)	(4,597)	(14,006)	(3,501)
Others	(109)	(23)	(140)	(33)
Subtotal	(18,496)	(4,620)	(14,146)	(3,534)
Net	**324,763**	**81,180**	**314,442**	**78,597**

(Amounts in millions of Renminbi, unless otherwise stated)

30 OTHER ASSETS

		30 June 2015	31 December 2014
Interest receivable		108,340	97,948
Accounts receivable and temporary payments	(1)	39,657	16,708
Premiums receivable and reinsurance assets		26,775	13,532
Land use rights	(2)	23,218	23,524
Long-term deferred expenses		3,367	3,649
Investment property		2,798	2,846
Intangible assets		2,745	2,593
Foreclosed assets		552	487
Others		4,693	2,535
Total		**212,145**	**163,822**

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

(2) Land use rights

The carrying amount of land use rights (including leasehold land in Hong Kong) analyzed by the remaining terms of the leases:

	30 June 2015	31 December 2014
Held in Hong Kong		
on long-term lease (over 50 years)	1,494	1,458
Held outside Hong Kong		
on long-term lease (over 50 years)	443	394
on medium-term lease (10–50 years)	21,232	21,624
on short-term lease (less than 10 years)	49	48
Subtotal	21,724	22,066
Total	**23,218**	**23,524**

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

(Amounts in millions of Renminbi, unless otherwise stated)

31 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2015	31 December 2014
Deposits from:		
Domestic banks	195,980	148,043
Other domestic financial institutions	1,153,022	666,905
Overseas banks	7,740	13,045
Other overseas financial institutions	2,501	3,148
Total	**1,359,243**	**831,141**

32 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2015	31 December 2014
Placements from:		
Domestic banks and other financial institutions	103,710	62,537
Overseas banks and other financial institutions	187,231	162,386
Total	**290,941**	**224,923**

33 FINANCIAL LIABILITIES HELD FOR TRADING

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

34 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2015	31 December 2014
Principal guaranteed wealth management products	319,011	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 30 June 2015, the fair value of these products issued by the Group were lower than the contractual amount payable to the holders of these products upon maturity by RMB7,177 million (31 December 2014: RMB8,558 million).

For the six months ended 30 June 2015 and the year ended 31 December 2014, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in the Group's own credit risk.

(Amounts in millions of Renminbi, unless otherwise stated)

35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2015	31 December 2014
Analyzed by type of collateral:		
Debt securities	97,854	131,021
Bills	156	—
Total	**98,010**	**131,021**

The collateral pledged under repurchase agreement is disclosed in Note 49 Contingent Liabilities and Commitments — Collateral.

36 DUE TO CUSTOMERS

		30 June 2015	31 December 2014
Demand deposits			
Corporate customers		3,178,413	3,012,527
Individual customers		3,663,294	3,546,541
Time deposits			
Corporate customers		1,690,576	1,485,274
Individual customers		4,262,628	3,882,102
Pledged deposits	(1)	369,750	299,437
Others		241,631	307,516
Total		**13,406,292**	**12,533,397**

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

	30 June 2015	31 December 2014
Bank acceptance	145,543	118,330
Trade finance	77,198	50,423
Guarantee and letters of guarantee	74,810	63,630
Letters of credit	18,808	21,567
Others	53,391	45,487
Total	**369,750**	**299,437**

(Amounts in millions of Renminbi, unless otherwise stated)

37 DEBT SECURITIES ISSUED

		30 June 2015	31 December 2014
Bonds issued	(1)	190,281	191,994
Certificates of deposit issued	(2)	115,681	113,388
Commercial papers issued	(3)	9,770	11,800
Interbank certificates of deposit issued	(4)	9,266	7,985
Total		**324,998**	**325,167**

As at 30 June 2015 and 31 December 2014, there was no default related to any debt securities issued.

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

		30 June 2015	31 December 2014
3.2% fixed rate RMB bonds maturing in November 2015	(i)	1,000	1,000
4.0% subordinated fixed rate bonds maturing in May 2024	(ii)	25,000	25,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(iii)	30,000	30,000
5.3% subordinated fixed rate bonds maturing in June 2026	(iv)	50,000	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(v)	50,000	50,000
Medium term notes issued	(vi)	34,414	36,125
Total nominal value		190,414	192,125
Less: Unamortized issuance cost and discounts		(133)	(131)
Carrying value		**190,281**	**191,994**

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

(i) *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.*

(ii) *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 would not exercise this option, the coupon rate of the bonds will increase to 7.0% per annum from 20 May 2019 onwards.*

(iii) *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. The 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. These Tier-two capital bonds are qualified as Tier-two Capital Instruments in accordance with the CBRC requirements.*

(Amounts in millions of Renminbi, unless otherwise stated)

37 DEBT SECURITIES ISSUED (Continued)

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

(iv) *The subordinated fixed rate bonds issued in 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 would not exercise this option, the coupon rate of the bonds would remain at 5.3% per annum from 7 June 2021 onwards.*

(v) *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 would not exercise this option, the coupon rate of the bonds would remain at 4.99% per annum from 20 December 2022 onwards.*

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

	As at 30 June 2015		
	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate USD MTNs	July 2015 to May 2020	0.55–2.875	20,686
Fixed rate RMB MTNs	August 2015 to August 2019	3.05–3.80	6,434
Fixed rate CHF MTNs	July 2015 to August 2015	0.85–1.00	1,783
Floating rate USD MTNs	July 2015 to May 2018	3-month USD LIBOR plus 0.88 to 1.35	2,428
Fixed rate EUR MTNs	August 2015 to March 2017	0.305–1.12	1,305
Fixed rate HKD MTNs	August 2015 to March 2016	0.3–1.49	757
Fixed rate JPY MTNs	August 2015 to March 2016	0.21–0.70	521
Zero coupon RMB MTN	February 2016	—	500
Total			**34,414**

	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 MTNs	August 2015 to November 2015	0.50–0.70	431
Zero coupon EUR MTN	January 2015	—	373
Total			**36,125**

(2) As at 30 June 2015, the certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost.

(3) As at 30 June 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 the interest rates ranging from 0.2% to 0.93%.

(4) The interbank certificates of deposit were issued by the Head Office of the Bank, with the terms ranging from three months to two years.

(Amounts in millions of Renminbi, unless otherwise stated)

38 OTHER LIABILITIES

		30 June 2015	31 December 2014
Interest payable		193,887	192,876
Insurance liabilities		65,225	42,789
Clearing and settlement		52,315	46,433
Staff costs payable	(1)	40,199	40,511
Income taxes payable		25,073	41,338
Provision		15,040	13,902
Amount payable to the MOF	(2)	12,801	3,275
Business and other taxes payable		7,173	7,535
Dormant accounts		1,761	1,616
Others		32,422	45,712
Total		**445,896**	**435,987**

(1) Staff costs payable

		30 June 2015	31 December 2014
Short-term employee benefits	(i)	31,327	30,952
Defined contribution benefits	(ii)	999	621
Early retirement benefits	(iii)	7,873	8,938
Total		**40,199**	**40,511**

(i) Short-term employee benefits

	Six months ended 30 June 2015			
	1 January	Accrued	Paid	30 June
Salaries, bonuses, allowance and subsidies (a)	24,228	34,387	(35,588)	23,027
Housing funds (a)	183	4,279	(3,996)	466
Social insurance (a)	178	2,530	(2,411)	297
Including: Medical insurance	154	2,194	(2,088)	260
Employment injury insurance	12	151	(145)	18
Maternity insurance	12	185	(178)	19
Labor union fees and staff education expenses	3,183	1,521	(630)	4,074
Others	3,180	3,151	(2,868)	3,463
Total	**30,952**	**45,868**	**(45,493)**	**31,327**

(Amounts in millions of Renminbi, unless otherwise stated)

38 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits (Continued)

	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 (a)	181	4,454	(4,457)	178
Including: 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.

(ii) Defined contribution benefits

	Six months ended 30 June 2015			
	1 January	Accrued	Paid	30 June
Basic pensions	541	5,642	(5,318)	865
Unemployment insurance	66	396	(379)	83
Annuity Scheme	14	1,634	(1,597)	51
Total	**621**	**7,672**	**(7,294)**	**999**

	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.

(Amounts in millions of Renminbi, unless otherwise stated)

38 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(iii) Early retirement benefits

	Six months ended 30 June 2015			
	1 January	Accrued	Paid	30 June
Early retirement benefits	8,938	139	(1,204)	7,873

	2014			
	1 January	Accrued	Paid	31 December
Early retirement benefits	10,356	1,611	(3,029)	8,938

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

	30 June 2015	31 December 2014
Discount rate	2.89%	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 condensed consolidated interim income statement.

(2) Amount payable to the MOF

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

(Amounts in millions of Renminbi, unless otherwise stated)

39 ORDINARY SHARES

During the six months ended 30 June 2015 and the year ended 31 December 2014, there was no change in the Bank's ordinary share capital.

	As at 30 June 2015 and 31 December 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	**324,794**	**324,794**

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

As at 30 June 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).

40 PREFERENCE SHARES

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

40 PREFERENCE SHARES (Continued)

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

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

— The second tranche of 400 million preference shares were issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 30 June 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 and subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

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

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No. 56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB2.43 yuan per share, partially or entirely. The conversion price of the preference shares will be adjusted 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.

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

(Amounts in millions of Renminbi, unless otherwise stated)

41 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 issuance expenses, which consisted primarily of underwriting fees and professional fees.

42 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 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	6,022	(1,514)	4,508
— Amount removed from other comprehensive income and recognized in profit or loss	(417)	104	(313)
30 June 2015	**9,781**	**(2,468)**	**7,313**

	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**

43 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.

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

(Amounts in millions of Renminbi, unless otherwise stated)

44 GENERAL RESERVE

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

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

During the six months ended 30 June 2015, the Group transferred RMB18,823 million (six months ended 30 June 2014: RMB17,469 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB18,721 million (six months ended 30 June 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.

45 CASH AND CASH EQUIVALENTS

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

	30 June 2015	**30 June 2014**
Cash	99,771	93,420
Balance with central banks	270,457	192,437
Deposits with banks and other financial institutions	80,275	99,426
Placements with and loans to banks and other financial institutions	141,014	340,040
Financial assets held under resale agreements	301,166	468,211
Total	**892,683**	**1,193,534**

46 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:	Overseas branches and subsidiaries

(Amounts in millions of Renminbi, unless otherwise stated)

46 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the six months ended 30 June 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	108,667	60,755	38,189	43,448	34,738	58,801	10,596	8,636	—	363,830
External interest expense	(8,157)	(32,654)	(17,959)	(26,288)	(21,859)	(25,202)	(7,835)	(4,383)	—	(144,337)
Inter-segment interest (expense)/income	(78,684)	16,294	8,470	18,535	16,419	13,549	4,982	435	—	—
Net interest income	21,826	44,395	28,700	35,695	29,298	47,148	7,743	4,688	—	219,493
Fee and commission income	8,224	10,043	7,489	6,734	6,084	9,143	2,003	440	—	50,160
Fee and commission expense	(307)	(578)	(349)	(339)	(409)	(426)	(67)	(42)	—	(2,517)
Net fee and commission income	7,917	9,465	7,140	6,395	5,675	8,717	1,936	398	—	47,643
Net trading gain/(loss)	2,264	5	62	29	64	84	55	(1,875)	—	688
Net gain/(loss) on financial instruments designated at fair value through profit or loss	750	48	36	91	—	(2)	—	43	—	966
Net gain on investment securities	10	—	—	—	—	—	—	791	—	801
Other operating (expense)/income	(1,304)	417	315	340	204	1,864	91	4,791	—	6,718
Operating income	31,463	54,330	36,253	42,550	35,241	57,811	9,825	8,836	—	276,309
Operating expenses	(3,571)	(17,767)	(12,717)	(13,759)	(16,047)	(25,710)	(6,685)	(6,053)	—	(102,309)
Impairment losses on assets	(1,337)	(12,565)	(3,506)	(4,129)	(6,269)	(14,476)	3,004	(43)	—	(39,321)
Profit before tax	26,555	23,998	20,030	24,662	12,925	17,625	6,144	2,740	—	134,679
Income tax expense										(30,115)
Profit for the period										104,564
Depreciation and amortization included in operating expenses	(929)	(1,578)	(1,075)	(1,441)	(1,665)	(2,172)	(683)	(84)	—	(9,627)
Capital expenditure	475	787	393	1,029	585	1,411	265	173	—	5,118
As at 30 June 2015										
Segment assets	4,656,211	3,583,951	2,164,082	2,906,854	2,324,672	3,207,630	686,073	698,140	(2,849,242)	17,378,371
Including: Investment in associate	153	—	—	—	—	—	—	—	—	153
Unallocated assets										81,183
Total assets										17,459,554
Include: non-current assets (1)	11,969	34,010	18,185	29,492	28,340	41,263	12,086	8,561	—	183,906
Segment liabilities	(3,471,755)	(3,606,172)	(2,171,655)	(2,915,671)	(2,330,341)	(3,229,770)	(688,857)	(747,457)	2,849,242	(16,312,436)
Unallocated liabilities										(25,076)
Total liabilities										(16,337,512)
Credit commitments	42,028	413,328	223,439	336,337	169,206	260,151	58,762	44,996	—	1,548,247

(Amounts in millions of Renminbi, unless otherwise stated)

46 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the six months ended 30 June 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	95,118	58,231	38,075	42,122	33,422	54,273	9,869	6,722	—	337,832
External interest expense	(8,455)	(28,143)	(15,969)	(23,920)	(19,239)	(21,930)	(6,755)	(3,983)	—	(128,394)
Inter-segment interest (expense)/income	(62,111)	11,058	5,259	15,434	13,441	12,819	4,323	(223)	—	—
Net interest income	24,552	41,146	27,365	33,636	27,624	45,162	7,437	2,516	—	209,438
Fee and commission income	5,752	9,624	8,386	7,107	7,280	9,750	2,017	525	—	50,441
Fee and commission expense	(240)	(588)	(479)	(403)	(372)	(442)	(67)	(2)	—	(2,593)
Net fee and commission income	5,512	9,036	7,907	6,704	6,908	9,308	1,950	523	—	47,848
Net trading gain	2,143	92	43	63	72	184	54	147	—	2,798
Net gain/(loss) on financial instruments designated at fair value through profit or loss	387	28	13	77	—	(3)	—	31	—	533
Net (loss)/gain on investment securities	(16)	—	—	—	—	—	—	41	—	25
Other operating (expense)/income	(254)	520	310	339	193	992	67	5,100	—	7,267
Operating income	32,324	50,822	35,638	40,819	34,797	55,643	9,508	8,358	—	267,909
Operating expenses	(6,493)	(17,915)	(12,363)	(14,957)	(15,886)	(22,919)	(6,771)	(6,082)	—	(103,386)
Impairment losses on assets	(1,803)	(11,571)	(4,930)	(6,865)	(2,530)	774	(1,783)	(231)	—	(28,939)
Profit before tax	24,028	21,336	18,345	18,997	16,381	33,498	954	2,045	—	135,584
Income tax expense										(31,517)
Profit for the period										104,067
Depreciation and amortization included in operating expenses	(805)	(1,559)	(1,089)	(1,409)	(1,632)	(2,077)	(697)	(66)	—	(9,334)
Capital expenditure	723	668	810	1,430	779	1,345	251	544	—	6,550
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.

46 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

(Amounts in millions of Renminbi, unless otherwise stated)

46 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2015					
External interest income	179,034	71,374	111,438	1,984	363,830
External interest expense	(49,963)	(83,905)	(9,734)	(735)	(144,337)
Inter-segment interest (expense)/income	(9,368)	90,701	(81,333)	—	—
Net interest income	119,703	78,170	20,371	1,249	219,493
Fee and commission income	25,344	24,209	—	607	50,160
Fee and commission expense	(877)	(1,608)	—	(32)	(2,517)
Net fee and commission income	24,467	22,601	—	575	47,643
Net trading gain	—	—	632	56	688
Net gain on financial instruments designated at fair value through profit or loss	100	808	35	23	966
Net gain on investment securities	—	—	14	787	801
Other operating income	1,159	950	58	4,551	6,718
Operating income	145,429	102,529	21,110	7,241	276,309
Operating expenses	(42,833)	(44,144)	(9,262)	(6,070)	(102,309)
Impairment losses on assets	(40,581)	1,650	(339)	(51)	(39,321)
Profit before tax	62,015	60,035	11,509	1,120	134,679
Income tax expense					(30,115)
Profit for the period					104,564
Depreciation and amortization included in operating expenses	(2,059)	(5,584)	(1,933)	(51)	(9,627)
Capital expenditure	1,087	2,947	1,020	64	5,118
As at 30 June 2015					
Segment assets	5,981,538	2,972,460	8,283,478	140,895	17,378,371
Including: Investment in associate	—	—	—	153	153
Unallocated assets					81,183
Total assets					17,459,554
Segment liabilities	(6,229,708)	(9,025,040)	(871,604)	(186,084)	(16,312,436)
Unallocated liabilities					(25,076)
Total liabilities					(16,337,512)
Credit commitments	1,219,641	328,606	—	—	1,548,247

(Amounts in millions of Renminbi, unless otherwise stated)

46 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2014					
External interest income	171,392	66,243	98,405	1,792	337,832
External interest expense	(43,830)	(73,904)	(9,882)	(778)	(128,394)
Inter-segment interest (expense)/income	(9,663)	83,057	(73,394)	—	—
Net interest income	117,899	75,396	15,129	1,014	209,438
Fee and commission income	28,093	21,744	—	604	50,441
Fee and commission expense	(901)	(1,692)	—	—	(2,593)
Net fee and commission income	27,192	20,052	—	604	47,848
Net trading gain	—	—	2,771	27	2,798
Net gain on financial instruments designated at fair value through profit or loss	—	—	506	27	533
Net (loss)/gain on investment securities	—	—	(14)	39	25
Other operating income	661	561	735	5,310	7,267
Operating income	145,752	96,009	19,127	7,021	267,909
Operating expenses	(45,865)	(42,864)	(8,526)	(6,131)	(103,386)
Impairment losses on assets	(18,292)	(9,002)	(1,506)	(139)	(28,939)
Profit before tax	81,595	44,143	9,095	751	135,584
Income tax expense					(31,517)
Profit for the period					104,067
Depreciation and amortization included in operating expenses	(2,096)	(5,395)	(1,805)	(38)	(9,334)
Capital expenditure	1,301	3,731	1,504	14	6,550
As 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

46 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

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

County Area banking business

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

Urban Area banking business

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

(Amounts in millions of Renminbi, unless otherwise stated)

46 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2015				
External interest income	85,550	278,280	—	363,830
External interest expense	(50,774)	(93,563)	—	(144,337)
Inter-segment interest income/(expense)	50,741	(50,741)	—	—
Net interest income	85,517	133,976	—	219,493
Fee and commission income	16,412	33,748	—	50,160
Fee and commission expense	(833)	(1,684)	—	(2,517)
Net fee and commission income	15,579	32,064	—	47,643
Net trading gain	128	560	—	688
Net gain on financial instruments designated at fair value through profit or loss	28	938	—	966
Net gain on investment securities	—	801	—	801
Other operating income	1,992	4,726	—	6,718
Operating income	103,244	173,065	—	276,309
Operating expenses	(42,510)	(59,799)	—	(102,309)
Impairment losses on assets	(17,321)	(22,000)	—	(39,321)
Profit before tax	43,413	91,266	—	134,679
Income tax expense				(30,115)
Profit for the period				104,564
Depreciation and amortization included in operating expenses	(4,446)	(5,181)	—	(9,627)
Capital expenditure	1,570	3,548	—	5,118
As at 30 June 2015				
Segment assets	6,267,472	11,208,885	(97,986)	17,378,371
Including: Investment in associate	—	153	—	153
Unallocated assets				81,183
Total assets				17,459,554
Segment liabilities	(5,906,108)	(10,504,314)	97,986	(16,312,436)
Unallocated liabilities				(25,076)
Total liabilities				(16,337,512)
Credit commitments	349,849	1,198,398	—	1,548,247

(Amounts in millions of Renminbi, unless otherwise stated)

46 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2014				
External interest income	80,286	257,546	—	337,832
External interest expense	(45,278)	(83,116)	—	(128,394)
Inter-segment interest income/(expense)	46,250	(46,250)	—	—
Net interest income	81,258	128,180	—	209,438
Fee and commission income	17,072	33,369	—	50,441
Fee and commission expense	(958)	(1,635)	—	(2,593)
Net fee and commission income	16,114	31,734	—	47,848
Net trading gain	138	2,660	—	2,798
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(8)	541	—	533
Net gain on investment securities	—	25	—	25
Other operating income	1,145	6,122	—	7,267
Operating income	98,647	169,262	—	267,909
Operating expenses	(41,230)	(62,156)	—	(103,386)
Impairment losses on assets	(13,499)	(15,440)	—	(28,939)
Profit before tax	43,918	91,666	—	135,584
Income tax expense				(31,517)
Profit for the period				104,067
Depreciation and amortization included in operating expenses	(4,281)	(5,053)	—	(9,334)
Capital expenditure	1,599	4,951	—	6,550
As 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

(Amounts in millions of Renminbi, unless otherwise stated)

47 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 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:

	30 June 2015	31 December 2014
Treasury bonds and special government bond	737,815	734,578
Receivable from the MOF (Note 26)	278,314	278,314
Interest receivable		
— treasury bonds and special government bond	10,881	9,366
— receivable from the MOF	4,643	26
Accounts receivable and temporary payments	6,401	272
Amount payable to the MOF (Note 38)	12,801	3,275
Customer deposits	20,464	10,613
Interest payable	16	10
Other liability — redemption of treasury bonds on behalf of the MOF	104	105

	Six months ended 30 June	
	2015	2014
Interest income	18,285	18,891
Interest expense	(45)	(25)
Fee and commission income	3,692	4,135

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

	Six months ended 30 June	
	2015 %	2014 %
Treasury bonds and receivable from the MOF	1.77–9.00	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 49 Contingent Liabilities and Commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

47 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

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

As at 30 June 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:

	30 June 2015	31 December 2014
Investment in debt securities	11,248	11,244
Principal guaranteed wealth management products issued by the Bank	8,000	—
Interest receivable	347	134
Customer deposits	17	3,829
Interest payable	108	—

	Six months ended 30 June	
	2015	2014
Interest income	213	213
Interest expense	(130)	(58)

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

	Six months ended 30 June	
	2015	2014
	%	%
Investment in debt securities	3.14–4.20	3.14–4.20
Principal guaranteed wealth management products issued by the Bank	5.00–5.15	—
Customer deposits	0.35–3.06	0.72–3.30

(Amounts in millions of Renminbi, unless otherwise stated)

47 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin

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

	30 June 2015	31 December 2014
Investment securities	819,646	769,490
Deposits with banks and other financial institutions	48,068	40,060
Placements with and loans to banks and other financial institutions	71,223	92,797
Derivative financial assets	385	451
Financial assets held under resale agreements	11,295	39,363
Loans and advances to customers	8,511	4,219
Deposits from banks and other financial institutions	37,071	30,342
Placements from banks and other financial institutions	88,180	44,965
Derivative financial liabilities	387	465
Financial assets sold under repurchase agreements	55,000	110,300
Customer deposits	—	1,000
Preference shares	2,000	200
Off-balance sheet items:		
Non-principal guaranteed wealth management products issued by the Bank	300	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 transactions with these entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

(Amounts in millions of Renminbi, unless otherwise stated)

47 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) Key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six months ended 30 June 2015 and 2014, the Group had no material transactions with key management personnel.

(6) The Group and the Annuity Scheme

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

	30 June 2015	31 December 2014
Deposits from Annuity Scheme	8,050	8,050
Interest payable	13	15

	Six months ended 30 June	
	2015	2014
Interest expense	244	244

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

	Six months ended 30 June	
	2015 %	2014 %
Deposits from Annuity Scheme	5.75–6.20	5.75–6.20

48 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 30 June 2015, the outstanding WMPs issued by WMP vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB599,506 million (31 December 2014: RMB672,983 million), which represent the total size of the WMP vehicles. During the six months ended 30 June 2015, the Group's interest in the WMP Vehicles included Net Fee and Commission Income of RMB3,109 million (six months ended 30 June 2014: RMB2,707 million) and Net Interest Income of RMB416 million (six months ended 30 June 2014: RMB180 million), which related to placements transactions by the Group with WMP Vehicles.

The Group has entered into placements transactions at market interest rates with the WMP Vehicles. The average balance during the six months ended 30 June 2015 and the outstanding balance as at 30 June 2015 of these transactions were RMB21,791 million (weighted average outstanding period of 5.40 days) and RMB89,000 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 30 June 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 six months ended 30 June 2015 and the year ended 31 December 2014. The Group is not required to absorb any losses incurred by WMPs before other parties. During the period ended 30 June 2015 and the year ended 31 December 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.

(Amounts in millions of Renminbi, unless otherwise stated)

48 STRUCTURED ENTITIES (Continued)

(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 and/or return guarantee. As at 30 June 2015, the Group's maximum exposure to these other unconsolidated structured entities is summarized in the table below.

	As at 30 June 2015				
	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	242,266	—	—	—	242,266
Other debt instruments	41,365	—	—	—	41,365
Asset management products issued by other entities (i)	250	710	—	14,245	15,205
Asset-backed securities	187	4,159	—	—	4,346
Fund investments	—	7,253	—	—	7,253
Mortgage-backed securities	—	43	37	—	80
Total	**284,068**	**12,165**	**37**	**14,245**	**310,515**

	As at 31 December 2014				
	Financial assets designated at fair value through profits or losses	Available-for-sale investments	Held-to-maturity investment	Debt instrument 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.

(Amounts in millions of Renminbi, unless otherwise stated)

48 STRUCTURED ENTITIES (Continued)

(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 and/or return upon maturity of the WMP, regardless of its actual performance; and special purpose trusts founded by a third party trust company for issuing asset backed securities by the Group. During the six months ended 30 June 2015 and the year ended 31 December 2014, the Group did not provide financial support for any of these WMP Vehicles and the special purpose trust.

49 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2015, provisions of RMB1,155 million were made by the Group (31 December 2014: RMB1,316 million) based on court judgments or advice of legal counsel, and included in Note 38 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	30 June 2015	31 December 2014
Contracted but not provided for	6,094	5,302
Authorized but not contracted for	2,516	3,656
Total	**8,610**	**8,958**

In addition, as at 30 June 2015, the Bank had outstanding equity investment commitment to the capital payment of BSCA.Bank of EUR20,330,144, equivalent to RMB140 million (31 December 2014: RMB306 million). The Bank's investment in BSCA.Bank is disclosed in Note 27 Investment in Associate.

(Amounts in millions of Renminbi, unless otherwise stated)

49 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments

	30 June 2015	31 December 2014
Loan commitments		
— With an original maturity of less than 1 year	19,572	15,664
— With an original maturity of 1 year or above	392,433	425,394
Subtotal	412,005	441,058
Bank acceptance	443,874	418,937
Credit card commitments	255,058	254,222
Guarantee and letters of guarantee	243,572	241,171
Letters of credit	193,738	227,337
Total	**1,548,247**	**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 30 June 2015, credit risk weighted amount for credit commitments was measured under the Internal Ratings — Based approach as disclosed in Note 52 Capital Management.

	30 June 2015	31 December 2014
Credit commitments	790,968	800,383

(Amounts in millions of Renminbi, unless otherwise stated)

49 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitments

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

	30 June 2015	31 December 2014
Within 1 year	3,746	4,206
1 to 2 years	3,088	3,153
2 to 3 years	2,454	2,525
3 to 5 years	2,912	3,193
Above 5 years	1,794	1,969
Total	**13,994**	**15,046**

In the current interim period, operating lease expense recognized as operating expense by the Group was RMB2,353 million (six months ended 30 June 2014: RMB2,156 million), and is included in Note 11 Operating Expenses.

Finance lease commitments

As at 30 June 2015 and 31 December 2014, the Group, as a lessor, had no non-cancellable finance lease commitments.

As at 30 June 2015, the gross amount of finance lease receivables included in the Group's loans and advances were RMB32,792 million (31 December 2014: RMB35,502 million), with the remaining maturity as follows:

	30 June 2015	31 December 2014
Overdue	1,476	1,991
Within 1 year	10,906	11,511
1 to 5 years	14,940	17,829
Above 5 years	5,470	4,171
Total	**32,792**	**35,502**

(Amounts in millions of Renminbi, unless otherwise stated)

49 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 were as follows:

	30 June 2015	31 December 2014
Debt securities	98,016	131,828
Bills	157	—
Total	**98,173**	**131,828**

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2015 was RMB98,010 million (31 December 2014: RMB131,021 million) as set out in Note 35 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 50 Transferred Financial Assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions by the Group as at 30 June 2015 amounted to RMB40,730 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 22 Financial Assets Held Under Resale Agreements. The Group did not hold any collateral that can be resold or re-pledged as at 30 June 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 has not resold or re-pledged any of these collateral accepted.

49 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Redemption commitment for treasury bonds

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

As at 30 June 2015, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB49,764 million (31 December 2014: RMB44,879 million). The original maturities of these bonds vary from one to five 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.

50 TRANSFERRED FINANCIAL ASSETS

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

Other than the securitization transactions stated below, debt securities with title transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to RMB2,751 million as at 30 June 2015 (31 December 2014: RMB9,157 million), as disclosed in Note 49 Contingent Liabilities and Commitments — Collateral.

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. Those financial assets are recognized on the condensed consolidated interim statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 30 June 2015, loans with an original carrying amount of RMB10,125 million (31 December 2014: RMB10,125 million) have been securitized by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 30 June 2015, the carrying amount of assets that the Group continues to recognize was RMB967 million (31 December 2014: RMB967 million) and the assets were classified as Loans and Advances to Customers. As at 30 June 2015, arising from this continuing involvement, the Group has recognized continuing involvement assets and continuing involvement liabilities of RMB967 million, respectively (31 December 2014: RMB967 million, respectively).

51 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.

51.1 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.

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Credit risk management (Continued)

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

During the interim period, the Group continuously improved credit risk management. The Group strengthened the risk control over key areas such as real estate and local government financing vehicles. The Group emphasized the risk mitigation for key geographical areas and key customers, and accelerated the recovery and disposal of non-performing loans. Through all these measures, the Group managed to stabilize the credit quality.

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

Impairment assessment

Key factors related to the Group's impairment assessment

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

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Impairment assessment (Continued)

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 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:

	30 June 2015	31 December 2014
Balances with central banks	2,730,043	2,631,103
Deposits with banks and other financial institutions	766,389	572,805
Placements with and loans to banks and other financial institutions	375,428	407,062
Financial assets held for trading	61,300	58,404
Financial assets designated at fair value through profit or loss	336,803	354,763
Derivative financial assets	7,581	7,195
Financial assets held under resale agreements	647,110	509,418
Loans and advances to customers	8,346,156	7,739,996
Available-for-sale financial assets	990,900	922,017
Held-to-maturity investments	2,064,944	1,710,950
Debt instruments classified as receivables	551,077	522,117
Other financial assets	174,772	128,188
Subtotal	17,052,503	15,564,018
Credit commitments	1,548,247	1,582,725
Total	**18,600,750**	**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. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Loans and advances to customers

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

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

	30 June 2015		31 December 2014	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Head Office	184,412	3.0	147,614	2.6
Yangtze River Delta	1,402,484	22.8	1,312,497	23.0
Pearl River Delta	722,932	11.7	669,532	11.8
Bohai Rim	1,078,189	17.5	1,036,523	18.2
Central China	743,095	12.1	684,153	12.0
Western China	1,331,091	21.6	1,236,514	21.7
Northeastern China	241,291	3.9	217,926	3.8
Overseas and Others	455,273	7.4	392,324	6.9
Subtotal	6,158,767	100.0	5,697,083	100.0
Personal loans and advances				
Head Office	105	—	107	—
Yangtze River Delta	639,327	24.9	606,026	25.2
Pearl River Delta	480,376	18.7	440,572	18.3
Bohai Rim	374,759	14.6	345,542	14.4
Central China	349,278	13.6	335,059	14.0
Western China	613,681	23.9	573,220	23.9
Northeastern China	104,964	4.1	96,113	4.0
Overseas and Others	6,192	0.2	4,345	0.2
Subtotal	2,568,682	100.0	2,400,984	100.0
Gross loans and advances to customers	**8,727,449**		**8,098,067**	

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,506,892	24.5	1,459,857	25.6
Transportation, logistics and postal services	865,683	14.1	779,230	13.7
Retail and wholesale	668,428	10.8	629,609	11.1
Real estate	620,439	10.1	587,916	10.3
Production and supply of power, heat, gas and water	587,213	9.5	551,929	9.7
Leasing and commercial services	469,288	7.6	399,910	7.0
Mining	419,114	6.8	261,932	4.6
Construction	227,117	3.7	212,961	3.7
Finance	221,635	3.6	218,286	3.8
Water, environment and public utilities management	209,358	3.4	209,769	3.7
Others	363,600	5.9	385,684	6.8
Subtotal	6,158,767	100.0	5,697,083	100.0
Personal loans and advances				
Residential mortgage	1,715,155	66.8	1,550,702	64.6
Personal business	255,197	9.9	266,913	11.1
Credit cards	228,739	8.9	222,865	9.3
Personal consumer	196,701	7.7	204,102	8.5
Others	172,890	6.7	156,402	6.5
Subtotal	2,568,682	100.0	2,400,984	100.0
Gross loans and advances to customers	**8,727,449**		**8,098,067**	

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

	30 June 2015			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	747,056	546,261	782,920	2,076,237
Guaranteed loans	635,727	386,473	323,495	1,345,695
Loans secured by collateral	957,897	911,978	2,304,963	4,174,838
Pledged loans	543,847	100,409	486,423	1,130,679
Total	**2,884,527**	**1,945,121**	**3,897,801**	**8,727,449**

	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**

(4) Past due loans

	30 June 2015				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	9,015	10,387	527	472	20,401
Guaranteed loans	19,997	27,254	9,456	4,880	61,587
Loans secured by collateral	59,898	50,833	22,714	7,546	140,991
Pledged loans	3,830	8,962	1,508	1,672	15,972
Total	**92,740**	**97,436**	**34,205**	**14,570**	**238,951**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Past due loans (Continued)

	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

		30 June 2015	31 December 2014
Neither past due nor impaired	(i)	8,485,240	7,923,816
Past due but not impaired	(ii)	82,666	49,281
Impaired	(iii)	159,543	124,970
Subtotal		8,727,449	8,098,067
Allowance for impairment losses of loans and advances to customers		(381,293)	(358,071)
Loans and advances to customers		8,346,156	7,739,996

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

(i) Loans and advances neither past due nor impaired

	30 June 2015		
	Normal	Special-mention	Total
Corporate loans and advances	5,678,031	282,532	5,960,563
Personal loans and advances	2,522,938	1,739	2,524,677
Total	**8,200,969**	**284,271**	**8,485,240**

	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

	30 June 2015						
	Up to 30 days	31–60 days	61–90 days	91–360 days	Above 360 days	Total	Including: exposure covered by collateral and pledge
Corporate loans and advances	26,701	10,333	9,179	2,763	330	49,306	33,716
Personal loans and advances	20,669	6,999	5,692	—	—	33,360	21,763
Total	**47,370**	**17,332**	**14,871**	**2,763**	**330**	**82,666**	**55,479**

	31 December 2014						
	Up to 30 days	31–60 days	61–90 days	91–360 days	Above 360 days	Total	Including: exposure covered by collateral and pledge
Corporate loans and advances	15,280	3,978	3,575	1,290	—	24,123	16,164
Personal loans and advances	15,662	5,440	4,053	3	—	25,158	14,066
Total	**30,942**	**9,418**	**7,628**	**1,293**	**—**	**49,281**	**30,230**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

(iii) Impaired loans and advances

	30 June 2015		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	133,471	(94,212)	39,259
Collectively assessed	26,072	(22,828)	3,244
Total	**159,543**	**(117,040)**	**42,503**

	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:

	30 June 2015	31 December 2014
Individually assessed and impaired	133,471	103,907
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.53%	1.28%
Fair value of collateral	22,309	14,697

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Loans and advances to customers (Continued)

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

(iii) Impaired loans and advances (Continued)

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

	30 June 2015		31 December 2014	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	6	—	7	—
Yangtze River Delta	34,132	21.4	26,242	21.0
Pearl River Delta	21,621	13.5	16,790	13.4
Bohai Rim	30,259	19.0	26,727	21.4
Central China	22,302	14.0	18,656	14.9
Western China	44,504	27.9	30,332	24.3
Northeastern China	5,408	3.4	5,368	4.3
Overseas and Others	1,311	0.8	848	0.7
Total	**159,543**	**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 30 June 2015 amounted to RMB23,653 million (31 December 2014: RMB26,403 million).

(7) Assets foreclosed under credit enhancement arrangement

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

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

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

		30 June 2015	31 December 2014
Neither past due nor impaired	(1)	2,617,374	2,233,960
Impaired	(2)	1,282	1,191
Subtotal		2,618,656	2,235,151
Individually assessed		(547)	(478)
Collectively assessed		(2,088)	(1,606)
Allowance for impairment losses		(2,635)	(2,084)
Total held-to-maturity investments and debt instruments classified as receivables, net		**2,616,021**	**2,233,067**

(1) Debt instruments neither past due nor impaired

	30 June 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	11,368	172,384	617,881	8,515	810,148
— Public sector and quasi-governments	49,381	451,001	1,050,612	49,777	1,600,771
— Financial institutions	22,774	161,213	190,732	67,457	442,176
— Corporates	14,324	205,352	207,075	33,937	460,688
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	278,314	278,314
Certificate treasury bonds and savings treasury bonds	—	—	—	4,023	4,023
Interests in trust products	242,266	—	—	—	242,266
Other debt instruments	41,365	—	—	15,751	57,116
Total	**381,478**	**989,950**	**2,066,300**	**551,074**	**3,988,802**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired (Continued)

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Impaired debt instruments

	30 June 2015		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	545	545
Others	—	737	737
Allowance for impairment losses	—	(547)	(547)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	**—**	**735**	**735**

	31 December 2014		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	545	545
Others	—	646	646
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 30 June 2015, the carrying amount of the impaired available-for-sale debt instruments of the Group was RMB950 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 30 June 2015 was RMB294 million (31 December 2014: RMB295 million).

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating

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

		30 June 2015					
		Unrated (i)	AAA	AA	A	Below A	Total
Debt securities issued by:							
— Governments		736,216	68,532	3,974	1,198	138	810,058
— Public sector and quasi-governments		1,467,312	125,333	4,352	3,549	—	1,600,546
— Financial institutions		316,910	71,939	19,812	25,754	7,791	442,206
— Corporates	(ii)	55,632	348,457	13,142	37,368	5,722	460,321
Special government bond		93,300	—	—	—	—	93,300
Receivable from the MOF		278,314	—	—	—	—	278,314
Certificate treasury bonds and savings treasury bonds		4,023	—	—	—	—	4,023
Interests in trust products	(iii)	242,266	—	—	—	—	242,266
Other debt instruments	(iii)	57,365	—	—	—	—	57,365
Total		**3,251,338**	**614,261**	**41,280**	**67,869**	**13,651**	**3,988,399**

		31 December 2014					
		Unrated (i)	AAA	AA	A	Below A	Total
Debt securities issued by:							
— Governments		694,230	10,297	809	5,287	—	710,623
— Public sector and quasi-governments		1,372,558	110,807	3,044	3,783	—	1,490,192
— Financial institutions		170,221	48,639	15,686	13,636	6,958	255,140
— Corporates	(ii)	51,096	289,920	11,875	42,033	4,701	399,625
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	(iii)	248,794	—	—	—	—	248,794
Other debt instruments	(iii)	71,079	—	—	—	—	71,079
Total		**2,983,182**	**459,663**	**31,414**	**64,739**	**11,659**	**3,550,657**

51 FINANCIAL RISK MANAGEMENT (Continued)

51.1 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 primarily bonds issued by policy banks, the Chinese central and municipal governments and receivable from the MOF.

(ii) The ratings of super short-term commercial papers of the Group, amounting to RMB67,399 million (31 December 2014: RMB31,704 million), as included in corporate bonds above are based on the issuer's rating.

(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 53 Fair Value of Financial Instruments.

51.2 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 current asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Liquidity risk (Continued)

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

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

	30 June 2015								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	—	352,863	17,365	—	—	—	—	2,459,586	2,829,814
Deposits with banks and other financial institutions	—	45,345	50,205	144,258	525,051	1,530	—	—	766,389
Placements with and loans to banks and other financial institutions	—	—	150,110	94,739	117,560	13,019	—	—	375,428
Financial assets held for trading	—	3	5,766	6,039	26,798	18,900	3,797	—	61,303
Financial assets designated at fair value through profit or loss	—	—	46,287	86,806	137,156	52,372	14,182	1,829	338,632
Derivative financial assets	—	—	839	1,159	4,061	1,395	127	—	7,581
Financial assets held under resale agreements	—	—	315,927	134,318	196,865	—	—	—	647,110
Loans and advances to customers	42,073	—	474,939	756,411	2,515,615	1,775,407	2,781,711	—	8,346,156
Available-for-sale financial assets	—	—	29,126	49,965	197,485	521,098	193,226	11,582	1,002,482
Held-to-maturity investments	—	—	28,976	48,409	250,000	1,040,593	696,966	—	2,064,944
Debt instruments classified as receivables	1	146	2,422	4,888	31,411	102,346	409,863	—	551,077
Other financial assets	2,699	33,853	30,911	64,150	42,729	405	25	—	174,772
Total financial assets	**44,773**	**432,210**	**1,152,873**	**1,391,142**	**4,044,731**	**3,527,065**	**4,099,897**	**2,472,997**	**17,165,688**
Borrowings from central banks	—	(30)	(1,183)	—	(80)	(412)	—	—	(1,705)
Deposits from banks and other financial institutions	—	(802,019)	(74,239)	(21,660)	(239,897)	(221,428)	—	—	(1,359,243)
Placements from banks and other financial institutions	—	—	(126,503)	(93,626)	(66,983)	(2,294)	(1,535)	—	(290,941)
Financial liabilities held for trading	—	(10,686)	(4,465)	(5,358)	(3,572)	—	—	—	(24,081)
Financial liabilities designated at fair value through profit or loss	—	—	(80,067)	(107,279)	(113,837)	(17,794)	(34)	—	(319,011)
Derivative financial liabilities	—	—	(1,833)	(1,666)	(3,354)	(1,202)	(164)	—	(8,219)
Financial assets sold under repurchase agreements	—	—	(65,272)	(32,738)	—	—	—	—	(98,010)
Due to customers	—	(7,361,144)	(580,168)	(891,527)	(2,917,845)	(1,655,465)	(143)	—	(13,406,292)
Debt securities issued	—	—	(32,410)	(35,036)	(67,891)	(89,705)	(99,956)	—	(324,998)
Other financial liabilities	—	(149,115)	(19,615)	(53,201)	(69,811)	(87,345)	(32,543)	—	(411,630)
Total financial liabilities	**—**	**(8,322,994)**	**(985,755)**	**(1,242,091)**	**(3,483,270)**	**(2,075,645)**	**(134,375)**	**—**	**(16,244,130)**
Net position	**44,773**	**(7,890,784)**	**167,118**	**149,051**	**561,461**	**1,451,420**	**3,965,522**	**2,472,997**	**921,558**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 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 banks	—	(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**

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.

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	30 June 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	—	352,863	17,365	1,076	—	—	—	2,459,586	2,830,890
Deposits with banks and other financial institutions	—	45,345	51,387	150,024	543,428	1,663	—	—	791,847
Placements with and loans to banks and other financial institutions	—	—	150,389	97,140	120,679	13,325	—	—	381,533
Financial assets held for trading	—	3	6,003	6,368	28,454	21,138	4,145	—	66,111
Financial assets designated at fair value through profit or loss	—	—	47,761	89,855	143,729	59,916	16,809	1,829	359,899
Financial assets held under resale agreements	—	—	317,817	136,545	200,349	—	—	—	654,711
Loans and advances to customers	135,414	—	546,233	870,241	2,903,434	2,714,395	4,207,618	—	11,377,335
Available-for-sale financial assets	—	—	32,681	58,662	225,144	598,905	229,923	11,582	1,156,897
Held-to-maturity investments	—	—	36,278	61,745	316,416	1,264,724	864,754	—	2,543,917
Debt instruments classified as receivables	45	146	3,022	8,767	47,366	166,699	463,036	—	689,081
Other financial assets	—	33,693	3,745	26,506	2,440	41	7	—	66,432
Total non-derivative financial assets	**135,459**	**432,050**	**1,212,681**	**1,506,929**	**4,531,439**	**4,840,806**	**5,786,292**	**2,472,997**	**20,918,653**
Non-derivative financial liabilities									
Borrowings from central banks	—	(30)	(1,183)	—	(80)	(413)	—	—	(1,706)
Deposits from banks and other financial institutions	—	(802,110)	(74,725)	(23,339)	(253,626)	(246,801)	—	—	(1,400,601)
Placements from banks and other financial institutions	—	—	(126,897)	(94,202)	(67,963)	(2,566)	(1,692)	—	(293,320)
Financial liabilities held for trading	—	(10,686)	(4,484)	(5,384)	(3,597)	—	—	—	(24,151)
Financial liabilities designated at fair value through profit or loss	—	—	(81,039)	(108,925)	(118,008)	(18,174)	(42)	—	(326,188)
Financial assets sold under repurchase agreements	—	—	(65,310)	(32,986)	—	—	—	—	(98,296)
Due to customers	—	(7,364,774)	(592,771)	(914,226)	(3,036,254)	(1,911,017)	(143)	—	(13,819,185)
Debt securities issued	—	—	(32,669)	(37,140)	(75,538)	(122,071)	(110,160)	—	(377,578)
Other financial liabilities	—	(145,471)	(5,900)	(30,998)	(1,296)	(1,535)	(32,543)	—	(217,743)
Total non-derivative financial liabilities	**—**	**(8,323,071)**	**(984,978)**	**(1,247,200)**	**(3,556,362)**	**(2,302,577)**	**(144,580)**	**—**	**(16,558,768)**
Net position	**135,459**	**(7,891,021)**	**227,703**	**259,729**	**975,077**	**2,538,229**	**5,641,712**	**2,472,997**	**4,359,885**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 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 banks	—	(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**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

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

	30 June 2015					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Interest rate derivatives	(13)	(10)	(9)	(63)	(11)	(106)

	31 December 2014					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
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:

	30 June 2015					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	207,023	188,512	449,741	60,889	990	907,155
— Cash outflow	(207,981)	(189,011)	(449,221)	(60,658)	(990)	(907,861)
Total	**(958)**	**(499)**	**520**	**231**	**—**	**(706)**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.2 Liquidity risk (Continued)

Derivative cash flows (Continued)

Derivatives settled on a gross basis (Continued)

	31 December 2014					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	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**

Credit commitments

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

	30 June 2015			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	58,743	127,298	225,964	412,005
Bank acceptance	443,874	—	—	443,874
Credit card commitments	255,058	—	—	255,058
Guarantee and letters of guarantee	110,535	99,704	33,333	243,572
Letters of credit	177,973	15,765	—	193,738
Total	**1,046,183**	**242,767**	**259,297**	**1,548,247**

	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**

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk

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

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

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

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

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

Segregation of Trading Book and Banking Book

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

Market Risk Management for Trading Book

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

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

VaR Analysis for the Trading Book

Bank

	Six months ended 30 June 2015			
	At the end of the period	Average	Maximum	Minimum
Interest rate risk	82	76	90	64
Exchange rate risk (1)	49	50	72	32
Commodity risk	44	28	46	9
Overall VaR	101	94	116	68

	Six months ended 30 June 2014			
	At the end of the period	Average	Maximum	Minimum
Interest rate risk	56	75	87	55
Exchange rate risk (1)	58	125	247	54
Commodity risk	8	17	34	2
Overall VaR	90	178	289	86

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.

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk (Continued)

Market Risk Management for Banking Book

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

Interest Rate Risk Management

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

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

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

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the character of the underlying instruments or transactions, including exposure limit monitoring, enforcement of stop-loss limit, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 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. Transactions in foreign currencies mainly arise from the Group's foreign currency operations and treasury exposures.

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	30 June 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,792,387	30,931	4,611	1,885	2,829,814
Deposits with banks and other financial institutions	725,659	29,336	5,079	6,315	766,389
Placements with and loans to banks and other financial institutions	288,833	85,209	—	1,386	375,428
Financial assets held for trading	61,303	—	—	—	61,303
Financial assets designated at fair value through profit or loss	324,187	3,606	7,949	2,890	338,632
Derivative financial assets	5,905	1,307	15	354	7,581
Financial assets held under resale agreements	647,110	—	—	—	647,110
Loans and advances to customers	7,875,639	397,096	40,405	33,016	8,346,156
Available-for-sale financial assets	936,962	55,874	1,251	8,395	1,002,482
Held-to-maturity investments	2,044,891	19,309	—	744	2,064,944
Debt instruments classified as receivables	551,075	—	1	1	551,077
Other financial assets	167,850	4,104	1,763	1,055	174,772
Total financial assets	**16,421,801**	**626,772**	**61,074**	**56,041**	**17,165,688**
Borrowings from central banks	(110)	—	(1,183)	(412)	(1,705)
Deposits from banks and other financial institutions	(1,232,237)	(124,598)	(457)	(1,951)	(1,359,243)
Placements from banks and other financial institutions	(67,450)	(184,933)	(31,155)	(7,403)	(290,941)
Financial liabilities held for trading	(24,081)	—	—	—	(24,081)
Financial liabilities designated at fair value through profit or loss	(318,858)	(102)	—	(51)	(319,011)
Derivative financial liabilities	(954)	(5,832)	(66)	(1,367)	(8,219)
Financial assets sold under repurchase agreements	(95,372)	(2,638)	—	—	(98,010)
Due to customers	(13,145,684)	(201,695)	(28,560)	(30,353)	(13,406,292)
Debt securities issued	(196,577)	(104,444)	(14,701)	(9,276)	(324,998)
Other financial liabilities	(391,873)	(14,644)	(2,647)	(2,466)	(411,630)
Total financial liabilities	**(15,473,196)**	**(638,886)**	**(78,769)**	**(53,279)**	**(16,244,130)**
Net on-balance sheet position	948,605	(12,114)	(17,695)	2,762	921,558
Net notional amount of derivatives	(70,968)	37,663	29,479	3,184	(642)
Credit commitments	1,380,144	154,113	4,345	9,645	1,548,247

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 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 banks	(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

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 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 1% 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 of Domestic Operations in the condensed consolidated interim statement of financial position. Foreign currency position of the Group's Overseas Operations is not included in this assessment.

Group

	30 June 2015		31 December 2014	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
1% appreciation	114	(3)	123	(3)
1% depreciation	(114)	3	(123)	3

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 with a floor. However, this policy was eliminated with effect from 20 July 2013 whereby financial institutions are in a position to price their loans based on commercial and market factors. The PBOC continues to establish RMB benchmark interest rates for deposits with a cap.

The Group manages its interest rate risk by:

— Regularly monitoring the macro-economic factors that potentially impact the PBOC benchmark interest rates;

— Optimizing the management over the differences in timing between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities; and

— Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities, with reference to the prevailing PBOC benchmark interest rates where appropriate.

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or repricing date, whichever is earlier, of the Group's financial assets and financial liabilities at the end of each reporting period.

	30 June 2015						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,594,646	—	—	—	—	235,168	2,829,814
Deposits with banks and other financial institutions	93,204	144,580	524,812	1,534	—	2,259	766,389
Placements with and loans to banks and other financial institutions	152,324	97,600	115,362	10,142	—	—	375,428
Financial assets held for trading	6,267	6,067	26,298	18,871	3,797	3	61,303
Financial assets designated at fair value through profit or loss	54,302	100,352	123,871	44,096	14,182	1,829	338,632
Derivative financial assets	—	—	—	—	—	7,581	7,581
Financial assets held under resale agreements	315,927	134,318	196,865	—	—	—	647,110
Loans and advances to customers	1,176,434	1,456,707	5,381,998	138,923	192,094	—	8,346,156
Available-for-sale financial assets	39,433	73,110	205,931	482,225	190,201	11,582	1,002,482
Held-to-maturity investments	35,591	58,013	269,698	1,005,499	696,143	—	2,064,944
Debt instruments classified as receivables	4,674	8,389	42,638	89,985	405,295	96	551,077
Other financial assets	—	—	—	—	—	174,772	174,772
Total financial assets	**4,472,802**	**2,079,136**	**6,887,473**	**1,791,275**	**1,501,712**	**433,290**	**17,165,688**
Borrowings from central banks	(1,183)	—	(80)	(412)	—	(30)	(1,705)
Deposits from banks and other financial institutions	(876,111)	(22,605)	(239,645)	(220,866)	—	(16)	(1,359,243)
Placements from banks and other financial institutions	(128,899)	(94,541)	(66,159)	(1,342)	—	—	(290,941)
Financial liabilities held for trading	(4,465)	(5,358)	(3,572)	—	—	(10,686)	(24,081)
Financial liabilities designated at fair value through profit or loss	(80,067)	(107,279)	(113,837)	(17,794)	(34)	—	(319,011)
Derivative financial liabilities	—	—	—	—	—	(8,219)	(8,219)
Financial assets sold under repurchase agreements	(65,272)	(32,738)	—	—	—	—	(98,010)
Due to customers	(7,821,202)	(891,527)	(2,917,845)	(1,655,465)	(143)	(120,110)	(13,406,292)
Debt securities issued	(33,744)	(39,368)	(65,232)	(86,698)	(99,956)	—	(324,998)
Other financial liabilities	—	—	—	—	—	(411,630)	(411,630)
Total financial liabilities	**(9,010,943)**	**(1,193,416)**	**(3,406,370)**	**(1,982,577)**	**(100,133)**	**(550,691)**	**(16,244,130)**
Interest rate gap	**(4,538,141)**	**885,720**	**3,481,103**	**(191,302)**	**1,401,579**	**(117,401)**	**921,558**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 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 banks	—	(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**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FINANCIAL RISK MANAGEMENT (Continued)

51.3 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 RMB, USD and HKD interest rate curves on the Group's net Interest Income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as available-for-sale financial assets held, whose fair value changes are recorded as an element of other comprehensive income.

	30 June 2015		31 December 2014	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(23,055)	(27,820)	(11,600)	(23,485)
- 100 basis points	23,055	27,820	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.

51 FINANCIAL RISK MANAGEMENT (Continued)

51.4 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.

52 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.

52 CAPITAL MANAGEMENT (Continued)

The "Capital Rules for Commercial Banks (Provisional)" includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

— minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;

— capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

— additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;

— should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

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. 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. The CBRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the above two approaches, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

As at 30 June 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.

(Amounts in millions of Renminbi, unless otherwise stated)

52 CAPITAL MANAGEMENT (Continued)

The table below summarizes the Capital Adequacy Ratios and capital composition as at 30 June 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.

		30 June 2015	31 December 2014
Common Equity Tier-one Capital Adequacy Ratio	(1)	9.30%	9.09%
Tier-one Capital Adequacy Ratio	(1)	10.02%	9.46%
Capital Adequacy Ratio	(1)	12.95%	12.82%
Common Equity Tier-one Capital	(2)	1,040,554	991,429
Deductible Items from Common Equity Tier-one Capital	(3)	(5,573)	(5,223)
Net Common Equity Tier-one Capital		1,034,981	986,206
Additional Tier-one Capital	(4)	79,902	39,946
Net Tier-one Capital		1,114,883	1,026,152
Tier-two Capital	(5)	325,828	365,407
Net Capital		1,440,711	1,391,559
Risk-weighted Assets	(6)	11,125,503	10,852,619

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).

52 CAPITAL MANAGEMENT (Continued)

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

53 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the condensed consolidated interim statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements in the interim period or for the year ended 31 December 2014.

53.1 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.

53 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

53.1 Valuation technique, input and process (Continued)

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

During the interim period, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

53.2 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).

(Amounts in millions of Renminbi, unless otherwise stated)

53 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

53.3 Financial assets and financial liabilities not measured at fair value on the condensed consolidated interim statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as Balances with Central Banks, Deposits with Banks and Other Financial Institutions, Placements with and Loans to Banks and Other Financial Institutions, Financial Assets Held under Resale Agreements, Loans and Advances to Customers, Receivable from the MOF, Special Government Bond, Borrowings from Central Banks, 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.

		30 June 2015		31 December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Held-to-maturity investments	(1)	2,064,944	2,125,344	1,710,950	1,725,227
Debt instruments classified as receivables	(2)	551,077	554,743	150,503	150,690
Total		**2,616,021**	**2,680,087**	**1,861,453**	**1,875,917**
Financial liabilities					
Bonds issued	(3)	190,281	195,604	191,994	193,493

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 30 June 2015, included in the Group's held-to-maturity investments, RMB1,268 million were classified within Level 1 of the fair value measurement hierarchy.

(2) As at 30 June 2015, included in the Group's debt instruments classified as receivables, RMB24,345 million were classified within Level 3 of the fair value measurement hierarchy (31 December 2014: RMB11,204 million).

(3) As at 30 June 2015, included in the Group's bonds issued RMB3,053 million were classified within Level 1 of the fair value measurement hierarchy (31 December 2014: RMB3,055 million).

(Amounts in millions of Renminbi, unless otherwise stated)

53 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

53.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value.

	30 June 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
— Debt securities	—	44,675	—	44,675
— Precious metal contracts	—	16,628	—	16,628
Subtotal	—	61,303	—	61,303
Financial assets designated at fair value through profit or loss				
— Debt securities	49	53,123	—	53,172
— Interest in trust products	—	—	242,266	242,266
— Other debt instruments	—	—	41,365	41,365
— Equity instruments	6	651	1,172	1,829
Subtotal	55	53,774	284,803	338,632
Derivative financial assets				
— Exchange rate derivatives	—	6,168	42	6,210
— Interest rate derivatives	—	895	22	917
— Precious metal contracts	—	454	—	454
Subtotal	—	7,517	64	7,581
Available-for-sale financial assets				
— Debt securities	25,475	965,329	96	990,900
— Equity instruments	1,896	—	2,120	4,016
— Fund investments	7,253	—	—	7,253
Subtotal	34,624	965,329	2,216	1,002,169
Total assets	**34,679**	**1,087,923**	**287,083**	**1,409,685**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(24,081)	—	(24,081)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(319,011)	(319,011)
Derivative financial liabilities				
— Exchange rate derivatives	—	(7,121)	(68)	(7,189)
— Interest rate derivatives	—	(967)	(32)	(999)
— Precious metal contracts	—	(31)	—	(31)
Subtotal	—	(8,119)	(100)	(8,219)
Total liabilities	**—**	**(32,200)**	**(319,111)**	**(351,311)**

(Amounts in millions of Renminbi, unless otherwise stated)

53 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

53.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim 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)**

53 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

53.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (Continued)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options and precious metal contracts. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps and currency options are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts is determined with reference to the closing spot price of gold of the Shanghai Gold Exchange. All significant inputs are observable in the market.

Substantially all financial assets and financial liabilities classified within Level 3 of the fair value hierarchy are credit assets 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, and/or return guarantee. The related liability, the wealth management product itself, is also designated at fair value through profit or loss. These designations offset the accounting mismatch.

The nature of the assets classified within Level 3 of the fair value measurement hierarchy is primarily investment products issued by domestic trust companies or other financial institutions, underlying assets of which include credit assets, deposits with financial institutions and debt securities. The counterparties of the underlying deposits are primarily commercial banks in Mainland China. The credit assets and debt securities are loans and advances to corporate customers and, plain vanilla bonds or notes issued by corporates or financial institutions in Mainland China. As not all of the inputs needed to estimate the fair value of deposits, credit assets and debt securities in the investment products are observable, the Group classified the investment product as a whole within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these underlying assets in a current arm's length sale could differ from those disclosed.

There were no significant transfers between levels of the fair value hierarchy during the period ended 30 June 2015 and the year ended 31 December 2014.

(Amounts in millions of Renminbi, unless otherwise stated)

53 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

53.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (Continued)

The reconciliation of Level 3 fair value measurements of financial assets and financial liabilities presented at fair value on the condensed consolidated interim statement of financial position is as follows:

	Six months ended 30 June 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	121,678	—	711	—	—
Issues	—	—	—	(1,526,928)	—
Settlements/disposals	(155,235)	(124)	65	1,562,408	131
Total gains/(losses) recognized in					
— Profit or loss	8,854	(35)	5	(7,209)	65
— Other comprehensive income	—	—	(5)	—	—
30 June 2015	**284,803**	**64**	**2,216**	**(319,011)**	**(100)**
Change in unrealized (losses)/gains for the period included in profit or loss for assets/liabilities held at the end of the period	602	(35)	—	(177)	65

	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

53 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

53.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (Continued)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in Net Gain on Financial Instruments Designated at Fair Value Through Profit or Loss of the condensed consolidated interim income statement.

54 COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1 LIQUIDITY COVERAGE RATIO

	Three months ended	
	30 June 2015	**31 March 2015**
Average Liquidity Coverage Ratio	134.9%	140.0%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk management of Commercial Banks (Provisional) issued by the CBRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
30 June 2015				
Spot assets	635,521	61,329	56,656	753,506
Spot liabilities	(633,054)	(78,703)	(51,912)	(763,669)
Forward purchases	438,876	40,922	43,180	522,978
Forward sales	(398,301)	(11,523)	(40,593)	(450,417)
Net options position	336	19	(11)	344
Net long position	43,378	12,044	7,320	62,742
Net structural position	**3,412**	**5,389**	**1,437**	**10,238**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include Balances with Central Banks, Deposits with Banks and other Financial Institutions, Placements with and Loans to Banks and Other Financial Institutions, Financial Assets Held for Trading, Financial Assets Designated at Fair Value through Profit or Loss, Loans and Advances to Customers, Financial Assets Held under Resale Agreements, Available-for-Sale Financial Assets, Held-to-Maturity Investments and Debt Instruments Classified as Receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	Official sector	Non-bank private sector	Total
30 June 2015				
Asia Pacific	48,289	12,574	75,180	136,043
— of which attributable to				
Hong Kong	17,637	11,080	60,700	89,417
Europe	17,837	352	14,963	33,152
North and South America	113,649	29,527	214,242	357,418
Africa	305	—	—	305
Total	**180,080**	**42,453**	**304,385**	**526,918**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

4 OVERDUE AND RESCHEDULED ASSETS

(1) Gross amount of overdue loans and advances to customers

	30 June 2015	31 December 2014
Overdue		
within 3 months	92,740	73,139
between 3 and 6 months	38,216	27,840
between 6 and 12 months	59,220	28,617
over 12 months	48,775	37,024
Total	**238,951**	**166,620**
Percentage of overdue loans and advances to customers in total loans		
within 3 months	1.06%	0.90%
between 3 and 6 months	0.44%	0.35%
between 6 and 12 months	0.68%	0.35%
over 12 months	0.56%	0.46%
Total	**2.74%**	**2.06%**

(2) Rescheduled loans and advances to customers

	30 June 2015	31 December 2014
Total rescheduled loans and advances to customers	23,653	26,403
Including: rescheduled loans and advances to customers overdue for not more than 3 months	14,691	23,234
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.17%	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 30 June 2015 and 31 December 2014 were not material.

Add： No. 69, Jianguomen Nei Avenue,
Dongcheng District, Beijing, P.R. China
Postal Code：100005
Tel：86-10-85108888
http：//www.abchina.com

中国农业银行
AGRICULTURAL BANK OF CHINA