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

2020 Interim Report

Contents

Definitions

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

1.	A Share(s)	Ordinary shares listed domestically which are subscribed and traded in Renminbi
2.	ABC/Agricultural Bank of China/the Bank/ the Group/We	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
3.	CASs/PRC GAAP	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
4.	CBIRC	China Banking and Insurance Regulatory Commission, or its predecessors, the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, where the context requires
5.	County Area(s)	The county-level regions (excluding the district-level areas in the cities) in the People's Republic of China and the areas under their administration, including counties and county-level cities
6.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial services through our branch outlets located in counties and county-level cities in the People's Republic of China. We refer to such banking business as the County Area Banking Business or Sannong Banking Business
7.	County Area Banking Division	An internal division with management mechanism adopted by us for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
8.	CSRC	China Securities Regulatory Commission
9.	Global Systemically Important Banks	Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board
10.	H Share(s)	Shares listed on The Stock Exchange of Hong Kong Limited and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi

11.	Hong Kong Listing Rules	*The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*
12.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
13.	Huijin	Central Huijin Investment Ltd.
14.	MOF	Ministry of Finance of the People's Republic of China
15.	PBOC	The People's Bank of China
16.	Sannong	Agriculture, rural areas and rural people
17.	SSF	National Council for Social Security Fund of the People's Republic of China

Basic Corporate Information and Major Financial Indicators

Basic Corporate Information

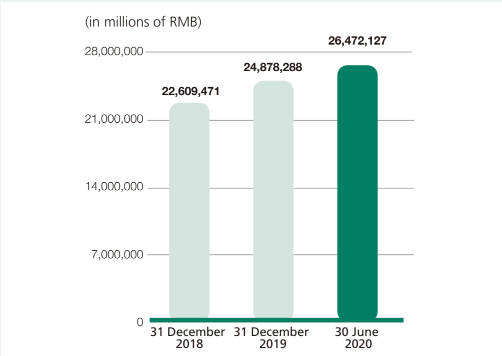
Legal name in Chinese	中國農業銀行股份有限公司
Abbreviation	中國農業銀行
Legal name in English	AGRICULTURAL BANK OF CHINA LIMITED
Abbreviation	AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	ZHOU Mubing
Authorized representative	ZHANG Qingsong
Contact details of Secretary to the Board of Directors	Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85126571 E-mail: ir@abchina.com
Selected media for information disclosure	*China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily*
Website of Shanghai Stock Exchange publishing the interim report (A Shares)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the interim report (H Shares)	www.hkexnews.hk
Location where copies of the interim report are kept	Office of the Board of Directors of the Bank
Listing exchange of A Shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, PRC)

Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001) 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Legal advisor as to laws of Mainland China	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre, No. 1 Dongsanhuan Zhong Road, Chaoyang District, Beijing, PRC
Legal advisor as to laws of Hong Kong	Fangda Partners
Address	26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, PRC
Domestic auditor	PricewaterhouseCoopers Zhong Tian LLP
Address	11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
Name of the undersigned accountants	HAN Dan, ZHANG Honglei
International auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong, PRC

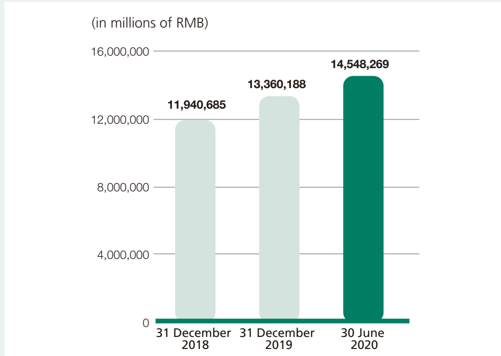
Financial Highlights

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

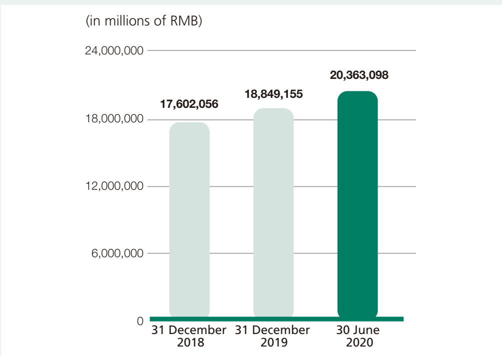
Total assets



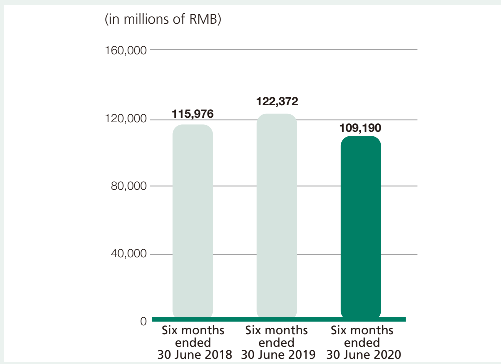
Total loans and advances to customers



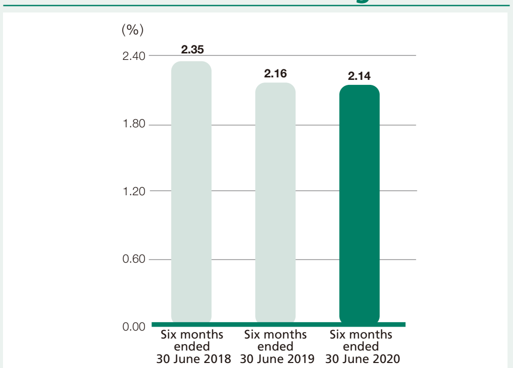
Deposits from customers



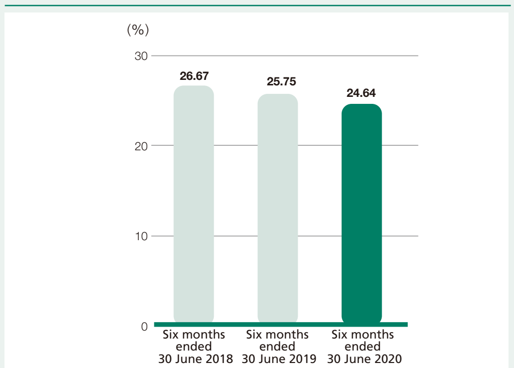
Net profit



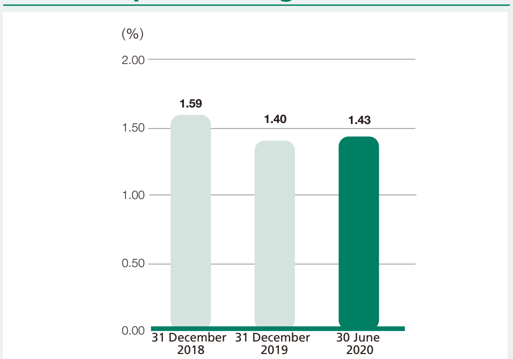
Net interest margin



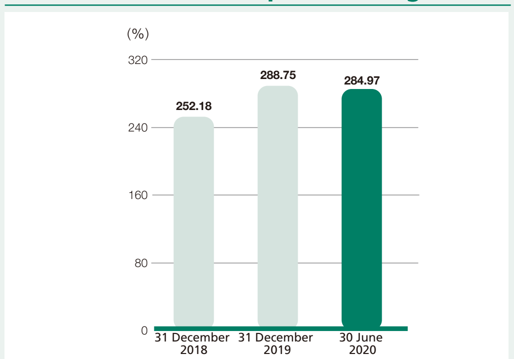
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Major Financial Data

	30 June 2020	31 December 2019	31 December 2018
At the end of the reporting period (in millions of RMB)			
Total assets	**26,472,127**	24,878,288	22,609,471
Total loans and advances to customers	**14,548,269**	13,360,188	11,940,685
Including: Corporate loans	**7,857,841**	7,095,770	6,514,383
Discounted bills	**361,447**	421,390	343,961
Retail loans	**5,830,371**	5,392,473	4,665,871
Overseas and others	**461,138**	419,913	389,410
Allowance for impairment losses on loans	**592,005**	540,578	479,143
Loans and advances to customers, net	**13,956,264**	12,819,610	11,461,542
Financial investments	**7,847,830**	7,422,930	6,885,075
Cash and balances with central banks	**2,372,116**	2,699,895	2,805,107
Deposits and placements with and loans to banks and other financial institutions	**974,168**	758,925	661,741
Financial assets held under resale agreements	**650,799**	708,551	371,001
Total liabilities	**24,379,118**	22,918,526	20,934,684
Deposits from customers	**20,363,098**	18,849,155	17,602,056
Including: Corporate deposits	**7,656,859**	7,196,002	6,807,956
Retail deposits	**11,899,686**	10,904,731	10,076,833
Overseas and others	**577,119**	517,440	514,244
Deposits and placements from banks and other financial institutions	**1,629,675**	1,829,272	1,449,863
Financial assets sold under repurchase agreements	**31,020**	53,197	157,101
Debt securities issued	**1,137,927**	1,108,212	780,673
Equity attributable to equity holders of the Bank	**2,082,127**	1,948,355	1,670,294
Net capital[1]	**2,703,355**	2,498,311	2,073,343
Common Equity Tier 1 (CET1) capital, net[1]	**1,788,932**	1,740,584	1,583,927
Additional Tier 1 capital, net[1]	**284,887**	199,894	79,906
Tier 2 capital, net[1]	**629,536**	557,833	409,510
Risk-weighted assets[1]	**16,459,381**	15,485,352	13,712,894

	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2018
Interim operating results (in millions of RMB)			
Operating income	**339,774**	324,467	307,950
Net interest income	**258,897**	237,632	233,833
Net fee and commission income	**52,350**	50,899	43,637
Operating expenses	**108,043**	105,153	99,961
Credit impairment losses	**99,123**	73,475	66,417
Total profit before tax	**132,555**	145,862	141,552
Net profit	**109,190**	122,372	115,976
Net profit attributable to equity holders of the Bank	**108,834**	121,445	115,789
Net cash flows generated from operating activities	**(323,946)**	(10,512)	(221,452)

Financial Indicators

	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2018
Profitability (%)			
Return on average total assets[2]	**0.85***	1.05*	1.08*
Return on weighted average net assets[3]	**11.94***	14.57*	16.72*
Net interest margin[4]	**2.14***	2.16*	2.35*
Net interest spread[5]	**1.98***	2.02*	2.24*
Return on risk-weighted assets[1, 6]	**1.33***	1.66*	1.75*
Net fee and commission income to operating income	**15.41**	15.69	14.17
Cost-to-income ratio[7]	**24.64**	25.75	26.67
Data per share (RMB Yuan)			
Basic earnings per share[3]	**0.30**	0.34	0.35
Diluted earnings per share[3]	**0.30**	0.34	0.35
Net cash flows per share generated from operating activities	**(0.93)**	(0.03)	(0.63)

	30 June 2020	31 December 2019	31 December 2018
Asset Quality (%)			
Non-performing loan ratio[8]	**1.43**	1.40	1.59
Allowance to non-performing loans[9]	**284.97**	288.75	252.18
Allowance to loan ratio[10]	**4.08**	4.06	4.02
Capital adequacy (%)			
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	**10.87**	11.24	11.55
Tier 1 capital adequacy ratio[1]	**12.60**	12.53	12.13
Capital adequacy ratio[1]	**16.42**	16.13	15.12
Risk-weighted assets to total assets ratio[1]	**62.18**	62.24	60.65
Total equity to total assets ratio	**7.91**	7.88	7.41
Data per share (RMB Yuan)			
Net assets per ordinary share[11]	**5.14**	5.00	4.54

Notes: 1. *Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.*

2. *Calculated by dividing net profit by the average 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 (2010 Revision) issued by the CSRC and International Accounting Standard 33 — Earnings per share.*

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 CBIRC.*

7. *Calculated by dividing operating and administrative expenses by operating income in accordance with CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.*

8. *Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).*

9. *Calculated by dividing the balance of allowance for impairment losses on loans (excluding accrued interest) by the balance of non-performing loans (excluding accrued interest), among which, the balance of allowance for impairment losses on loans (excluding accrued interest) does not include the balance of allowance for impairment losses on loans at fair value through other comprehensive income.*

10. *Calculated by dividing the balance of allowance for impairment losses on loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest), among which, the balance of allowance for impairment losses on loans (excluding accrued interest) does not include the balance of allowance for impairment losses on loans at fair value through other comprehensive income.*

11. *Calculated by dividing equity attributable to ordinary equity holders of the Bank (excluding other equity instruments) at the end of the reporting period by the total number of ordinary shares at the end of reporting period.*

* *Annualized figures.*

Other Financial Indicators

		Regulatory Standard	30 June 2020	31 December 2019	31 December 2018
Liquidity ratio[1] (%)	RMB	≥25	**55.53**	57.74	55.17
	Foreign Currency	≥25	**151.98**	112.07	101.77
Percentage of loans to the largest single customer[2] (%)		≤10	**4.14**	4.68	5.53
Percentage of loans to the top ten customers[3] (%)			**12.57**	13.83	15.25
Loan migration ratio[4] (%)	Normal		**1.18**	1.54	1.72
	Special mention		**17.22**	15.90	16.93
	Substandard		**22.08**	47.10	61.48
	Doubtful		**6.56**	8.82	8.91

Notes: 1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBIRC.*

2. *Calculated by dividing total loans to the largest single customer (excluding accrued interest) by net capital.*

3. *Calculated by dividing total loans to the top ten customers (excluding accrued interest) by net capital.*

4. *Calculated in accordance with the relevant regulations of the CBIRC, reflecting domestic data only.*

Environment and Prospects

Coronavirus disease (2019) ("**COVID-19**") has been spreading around the world since the beginning of 2020, with over 10 million cumulative confirmed cases at the end of this June. Countries have taken prevention and control measures such as suspension of work and production and social distancing, which have seriously impacted economic performance, leaving the global economy in the most severe recession since the Second World War. Developed economies witnessed across-the-board economic declines and surging unemployment rates, while the public health and economic risks facing emerging economies were intertwined, heightening their economic fragility. To address the impact of the pandemic, major economies initiated a new round of easing monetary policies and the balance sheets of their central banks expanded significantly, with the developed economies collectively re-entering into the era of zero real-interest-rate.

COVID-19 was an unprecedented shock to China's economic and social development, but China's economy showed great resilience on its way to a steady recovery. At the beginning of this year, the COVID-19 outbreak brought the obvious decrease in total market supply and demand, as a result of which first quarter GDP decreased by 6.8% year-on-year. However, with resumption of work and production, the economic indicators clearly improved in the second quarter. As the industrial added value and the growth of fixed-asset investment turned from negative to positive, the decline in the total retail sales of consumer goods narrowed and exports grew for three consecutive months, second quarter GDP grew by 3.2% year-on-year. New industries, business forms and models emerged during this pandemic, while growth poles such as digital economy, intelligent manufacturing, and life health came into being. In addition, the rise in CPI dropped and the downward trend of PPI continued.

In the first half of 2020, the PRC government adopted more counter-cyclical adjustment policies to regulate and control the macro economy. It aimed at targeted regulation and control, focusing on ensuring stability on the six fronts (namely, employment, financial sector, foreign trade, foreign and domestic investments, and market expectations) and security in the six areas (namely, employment, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments), with emphasis on the synergy among policies. The fiscal policies were more proactive and effective, including increased specific debt offering size by local government, issue of Special Government Bonds for COVID-19 control, and additional cuts in taxes and fees as well as increased transfer payments. The prudent monetary policies were more flexible and moderate, involving a combination of multiple tools such as cutting the reserve requirement ratio and interest rates as well as relending, guiding interest rates downward in the loan market, and maintaining reasonable and sufficient market liquidity. In the financial sector, promotion of the reform and opening-up continued, as the revised Securities Law came into effect, the loan prime rate (LPR) was widely promoted and bond markets in the inter-bank market were interconnected with that in the stock exchanges.

Looking forward to the second half of 2020, affected by the continued spreading pandemic, the global economy will be more unstable and face more uncertain factors. According to the forecast by the International Monetary Fund in this June, the global economy is expected to shrink by 4.9% in 2020 and China is the sole large economy that is expected to record positive growth. Under regular pandemic prevention and control, China is expected to return gradually to its business-as-usual economic performance and social operation, during which the effectiveness of its macro policies will be continuously demonstrated, production and demand will constantly improve, service industries will recover, and new infrastructure investment will obviously increase. As the fiscal policies will be more proactive, the deficit will far exceed that of the corresponding period of the previous year. The monetary policies will remain flexible and moderate, being more targeted and pertinent. On the other hand, the complex and severe global pandemic and economic situation will pose more risks and challenges to China's economic development. It is expected that the hysteresis and uncertainties of the pandemic will further spill over to the banking industry. Given more benefits to the real economy and higher pressure on asset quality, the operating performance of banking industry may witness more downturn pursuance.

In the second half of 2020, we will spare no effort to provide financial services to ensure stability on the six fronts and security in the six areas, while coordinating our work to serve the real economy, manage financial risks and promote business transformation under regular pandemic prevention and control. Specifically, we will (1) surrender our share of profit from our corporate customers and relieve them of difficulties to secure the market participants. We will take multiple measures to benefit the real economy and offer more low-cost credit facilities to priority groups including Sannong customers and small and micro enterprises. We will take the initiative to tackle difficulties of our corporate customers by implementing the policy to extend the time for repayment of principal and interest, in order to secure the stability of the industrial chain and supply chain; (2) enhance financial services for the real economy with priorities. We will implement a series of policies to serve national strategies in support of new infrastructure, new urbanization and major transportation and water conservancy project construction; (3) tightly hold our risk limitation. We will control our asset quality well through strict classification, prompt reporting, and quick disposal. We will proactively make more provisions to improve our risk resistance capacities. We will further promote our "Sharp Arrow Plan" for case prevention and control and enhance anti-money laundering and sanction compliance management; and (4) strengthen our advantages and bolster points of weaknesses. We will further develop financial services for rural vitalization to consolidate our strengths in County Area Banking Business; we will push forward digital transformation of retail banking business by financial technology and product innovation and enhance our advantages in retail banking business. We will deepen reform of branches in provincial capitals to enhance our market competitiveness in the urban areas.

Pandemic Prevention and Control

In the first half of 2020, in the face of the COVID-19 emergency, we resolutely executed the national decisions and plans on pandemic prevention and control, balanced the pandemic prevention and control and our business operation, and assumed social responsibilities as a major bank to support the resumption of work and production as well as spring farming and preparation. All our financial businesses attained stable development.

➢ We regarded the safety and health of our employees and customers as top priority. The pandemic prevention and control requirements were stringently complied with in our business premises and office spaces by routine disinfecting, ventilation and cleaning. Our employees should report their health conditions every day and customers and employees were required to show their health codes for verification when entering business premises. In the first half of 2020, 23 thousand branch outlets recorded zero case of cluster infections.

➢ We introduced on a timely basis a portfolio of policies in response to the pandemic, such as specific credit policies, 31 measures to support resumption of work and production, 16 measures to sustain small and micro enterprises, 12 measures to fund spring farming and preparation as well as stable production and supply, and the guidance on helping stabilize foreign trade. A total of RMB33.6 billion of loans were granted to 1,082 key enterprises providing critical goods and services for prevention and control of the pandemic. Loans to key enterprises safeguarding stable production and supply of agricultural products increased by 40% as compared to the end of the previous year, and loans related to hog production nearly doubled as compared to the end of the previous year.

➢ We acted with humanity by enabling individual customers to access various online financial services through digital tools without having to leave home. Some exclusive wealth management products were offered to soldiers, medical professionals, and customers in Hubei province during the pandemic. For customers who temporarily lost their income due to the pandemic, we flexibly adjusted their repayment arrangements in respect to housing mortgages and credit cards and granted reasonable repayment relief.

➢ We demonstrated our responsibility as a major bank. We and our staff donated RMB0.18 billion to Hubei province for its fight against the pandemic. Our domestic and overseas institutions lent a helping hand with 1.469 million pieces of virus containment materials that fell short during the outbreak. We donated exclusive insurance to 0.465 million personnel who were on the front-line for pandemic prevention and control.

In the second half of 2020, we will conscientiously implement the national decisions and plans not only on pandemic prevention and control but also on economic and social development. We will continue to prevent importation of the pandemic and its rebounding in domestic areas to consolidate the performance of pandemic prevention and control. To adapt to normalization of the pandemic prevention and control, we will create less-contact or zero-contact financial services and ensure uninterrupted business operations and no declined service quality in case of repeated outbreaks. We will spare no effort to provide financial services to ensure stability on the six fronts and security in the six areas and intensify support for the real economy.

Progress of Digital Transformation

We comprehensively implemented our strategy of digital transformation according to the principles of "Internet-based, data-based, intelligent and open". We supported the fight against the pandemic and resumption of production and work as well as ensuring stability on the six fronts and security in the six areas by leveraging digital facilities. Our digital transformation has shown significant success in serving the real economy, improving efficiency of operation and management, and ensuring delivery of basic financial services without interruption.

Remarkable progress was made in expanding our customer base and increasing loans for online credit business. We launched innovative online financing products such as Yihu E-loan, Huinong E-loan • Xiangyi Loan, Fugong Loan and Xujie E-loan under the brand of ABC E-loan, to meet financing demand arising from the fight against the pandemic and resumption of production and work. At the end of June 2020, the balance of ABC E-loan was RMB999.3 billion, representing an increase of RMB410.0 billion as compared to the end of the previous year. In particular, the balances of Small and Micro E-loan and Industrial E-loan both doubled.

Our online operation capability was enhanced. We cleared the breakpoints in our operation process, through which enabled us to realize integrated operation of all online and offline channels and whole-process service coordination, providing customers with 7×24 and zero-contact financial services. We comprehensively launched the mobile banking development project and released version 5.0 of our mobile banking. At the end of June 2020, we served 78.45 million monthly active customers through mobile banking, representing an increase of 6.07 million as compared to the end of the previous year.

Our scene-based financial service capability was further strengthened. At the end of June 2020, our poverty alleviation mall covered over 98.9% of 832 key counties of national poverty alleviation and attracted 261 central and local poverty alleviation entities to join. We accelerated the expansion of financial scenes related to smart hospital, smart government affairs and smart education, and released "i Xiangyang", our first APP for smart government affairs. In the first half of 2020, we added 26.8 thousand scenes, reaching 26.05 million customers.

Our targeted digital marketing achieved notable results. We adopted the digital marketing tools including a digital customer relationship management system, "digital human" managing customers and financial shops, which contributed more than RMB3.8 trillion in accumulated sales in the first half of 2020. We also explored Internet broadcast for public welfare, short video and other new online marketing tools, and carried out 2,103 marketing activities based on Internet marketing platforms, attracting 137 million participants.

Our digital risk management and control system continued to be improved. Our intelligent anti-fraud platform was put into operation and our intelligent anti-money laundering platform was optimized and upgraded, while the building of credit limit management centre and credit risk monitoring centre were steadily promoted. Our risk management and control system covering the online and offline channels and the whole process has been gradually coalescing and improving.

Our data and technology foundations were continuously consolidated. We accelerated the development of six major middle-end platforms to facilitate data sharing. We further improved the data analysis and mining platform and service contents of data assets and continued to optimize and upgrade the digital cloud platform and the distributed core projects.

In the second half of 2020, adhering to the customer-centered and value creation-oriented philosophy, we will continue to improve ABC E-loan product system, accelerate the building of a zero-contact and open financial service system, enhance the integration of online and offline operation, and further develop the supporting and leading capabilities of data and technology, so as to offer digital financial services under regular pandemic prevention and control.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2020, we achieved a net profit of RMB109,190 million, representing a decrease of RMB13,182 million or 10.8%, as compared to the first half of the previous year.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Net interest income	**258,897**	237,632	21,265	8.9
Net fee and commission income	**52,350**	50,899	1,451	2.9
Other non-interest income	**28,527**	35,936	(7,409)	-20.6
Operating income	**339,774**	324,467	15,307	4.7
Less: Operating expenses	**108,043**	105,153	2,890	2.7
Credit impairment losses	**99,123**	73,475	25,648	34.9
Impairment losses on other assets	**51**	(48)	99	–
Operating profit	**132,557**	145,887	(13,330)	-9.1
Share of result of associates and joint ventures	**(2)**	(25)	23	–
Profit before tax	**132,555**	145,862	(13,307)	-9.1
Less: Income tax expense	**23,365**	23,490	(125)	-0.5
Net profit	**109,190**	122,372	(13,182)	-10.8
Attributable to: Equity holders of the Bank	**108,834**	121,445	(12,611)	-10.4
Non-controlling interests	**356**	927	(571)	-61.6

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 76.2% of the operating income in the first half of 2020. Our net interest income was RMB258,897 million in the first half of 2020, representing an increase of RMB21,265 million as compared to the first half of the previous year, among which, changes in volume and interest rates resulted in an increase of RMB22,709 million and a decrease of RMB1,444 million in net interest income, respectively.

In the first half of 2020, our net interest margin and net interest spread were 2.14% and 1.98%, representing decreases of two basis points and four basis points, respectively, as compared to the first half of the previous year. The year-on-year decreases in net interest margin and net interest spread were primarily due to: (1) a decrease in yields of investment and financing business affected by the downward market interest rate; and (2) a decrease in average yields of loans and advances to customers as compared to the first half of the previous year as a result of the downward LPR and the implementation of national policies on benefiting the real economy.

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income/ expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	**14,000,939**	**302,123**	**4.34**	12,544,276	274,879	4.42
Debt securities investments[1]	**6,572,750**	**116,197**	**3.56**	6,251,227	114,046	3.68
Non-restructuring-related debt securities	**6,188,559**	**110,711**	**3.60**	5,867,036	108,178	3.72
Restructuring-related debt securities[2]	**384,191**	**5,486**	**2.87**	384,191	5,868	3.08
Balances with central banks	**2,255,912**	**16,970**	**1.51**	2,315,933	17,637	1.54
Amounts due from banks and other financial institutions[3]	**1,537,433**	**15,029**	**1.97**	1,084,349	15,008	2.79
Total interest-earning assets	**24,367,034**	**450,319**	**3.72**	22,195,785	421,570	3.83
Allowance for impairment losses[4]	**(602,895)**			(510,056)		
Non-interest-earning assets[4]	**1,322,668**			1,367,342		
Total assets	**25,086,807**			23,053,071		
Liabilities						
Deposits from customers	**18,207,059**	**137,981**	**1.52**	17,535,288	138,874	1.60
Amounts due to banks and other financial institutions[5]	**2,172,041**	**25,173**	**2.33**	1,740,555	22,844	2.65
Other interest-bearing liabilities[6]	**1,794,228**	**28,268**	**3.17**	1,267,858	22,220	3.53
Total interest-bearing liabilities	**22,173,328**	**191,422**	**1.74**	20,543,701	183,938	1.81
Non-interest-bearing liabilities[4]	**1,315,108**			1,024,168		
Total liabilities	**23,488,436**			21,567,869		
Net interest income		**258,897**			237,632	
Net interest spread			**1.98**			2.02
Net interest margin			**2.14**			2.16

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

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

In millions of RMB

	Increase/(decrease) due to		Net increase/
	Volume	Interest rate	(decrease)
Assets			
Loans and advances to customers	31,433	(4,189)	27,244
Debt securities investments	5,684	(3,533)	2,151
Balances with central banks	(452)	(215)	(667)
Amounts due from banks and other financial institutions	4,429	(4,408)	21
Changes in interest income	41,094	(12,345)	28,749
Liabilities			
Deposits from customers	5,091	(5,984)	(893)
Amounts due to banks and other financial institutions	5,001	(2,672)	2,329
Other interest-bearing liabilities	8,293	(2,245)	6,048
Changes in interest expense	18,385	(10,901)	7,484
Changes in net interest income	**22,709**	**(1,444)**	**21,265**

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

Interest Income

We achieved interest income of RMB450,319 million in the first half of 2020, representing an increase of RMB28,749 million as compared to the first half of the previous year, which was primarily due to an increase of RMB2,171,249 million in the average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB27,244 million, or 9.9%, as compared to the first half of the previous year to RMB302,123 million, which was primarily due to an increase of RMB1,456,663 million in the average balance.

Interest income from corporate loans increased by RMB11,035 million, or 7.2%, to RMB164,582 million as compared to the first half of the previous year, which was primarily due to an increase of RMB687,820 million in the average balance, partially offset by a decrease of 12 basis points in the average yield. The decrease in the average yield was primarily due to the facts that: (1) lower interest rates have been applied to new loans because of the downward LPR since the second half of 2019; (2) most existing loans completed the LPR-based pricing conversion, and interest rates of loans declined after the conversion; and (3) we implemented the national policies on benefiting the real economy by providing more favorable interest rates to customers such as small and micro enterprises.

Interest income from retail loans increased by RMB17,943 million, or 16.5%, to RMB126,852 million as compared to the first half of the previous year, which was primarily due to an increase of RMB691,575 million in the average balance and an increase of eight basis points in the average yield. The increase in the average yield was primarily due to an increase in the proportion of relatively high yield residential mortgage loans to total residential mortgage loans.

Interest income from discounted bills decreased by RMB760 million, or 13.2%, to RMB5,004 million as compared to the first half of the previous year, which was primarily due to a decrease of 74 basis points in the average yield. The decrease in the average yield was primarily due to a decrease in the interest rate in the bills discount market.

Interest income from overseas and other loans decreased by RMB974 million, or 14.6%, to RMB5,685 million as compared to the first half of the previous year, which was primarily due to a decrease of 69 basis points in the average yield.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2020			Six months ended 30 June 2019		
Item	**Average balance**	**Interest income**	**Average yield[1] (%)**	Average balance	Interest income	Average yield[1] (%)
Corporate loans	**7,581,322**	**164,582**	**4.37**	6,893,502	153,547	4.49
Short-term corporate loans	**2,424,110**	**48,330**	**4.01**	2,257,555	47,813	4.27
Medium- and long-term corporate loans	**5,157,212**	**116,252**	**4.53**	4,635,947	105,734	4.60
Discounted bills	**393,644**	**5,004**	**2.56**	351,971	5,764	3.30
Retail loans	**5,570,644**	**126,852**	**4.58**	4,879,069	108,909	4.50
Overseas and others	**455,329**	**5,685**	**2.51**	419,734	6,659	3.20
Total loans and advances to customers	**14,000,939**	**302,123**	**4.34**	12,544,276	274,879	4.42

Note: 1. Annualized figures.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of interest income. In the first half of 2020, interest income from debt securities investments increased by RMB2,151 million to RMB116,197 million as compared to the first half of the previous year, which was primarily due to an increase of RMB321,523 million in the average balance, partially offset by a decrease of 12 basis points in the average yield. The decrease in the average yield was mainly due to the lower interest rate of the debt securities market as compared to the first half of the previous year.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB667 million to RMB16,970 million as compared to the first half of the previous year, which was primarily due to decreases of RMB60,021 million in the average balance and three basis points in the average yield. The decrease in the average yield was primarily because the PBOC lowered the interest rate on excess reserves.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB21 million to RMB15,029 million as compared to the first half of the previous year, which was primarily due to an increase of RMB453,084 million in the average balance, partially offset by a decrease of 82 basis points in the average yield. The decrease in the average yield was primarily due to the lower interest rate in the monetary market as compared to the first half of the previous year.

Interest Expense

Interest expense increased by RMB7,484 million to RMB191,422 million as compared to the first half of the previous year, which was mainly due to an increase of RMB1,629,627 million in the average balance.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers decreased by RMB893 million to RMB137,981 million as compared to the first half of the previous year, which was primarily due to a decrease of eight basis points in the average cost. The decrease in the average cost was primarily because we enhanced the pricing management of deposits and proactively reduced high-cost deposits, resulting in our interest expenses decreased effectively.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

	Six months ended 30 June 2020			Six months ended 30 June 2019		
Item	Average balance	Interest expense	Average cost[1] (%)	Average balance	Interest expense	Average cost[1] (%)
Corporate deposits						
Time	**2,393,103**	**30,618**	**2.57**	2,391,220	32,357	2.73
Demand	**4,791,153**	**19,853**	**0.83**	4,653,145	18,218	0.79
Sub-Total	**7,184,256**	**50,471**	**1.41**	7,044,365	50,575	1.45
Retail deposits						
Time	**5,427,532**	**74,503**	**2.76**	4,930,161	65,411	2.68
Demand	**5,595,271**	**13,007**	**0.47**	5,560,762	22,888	0.83
Sub-Total	**11,022,803**	**87,510**	**1.60**	10,490,923	88,299	1.70
Total deposits from customers	**18,207,059**	**137,981**	**1.52**	17,535,288	138,874	1.60

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 RMB2,329 million to RMB25,173 million as compared to the first half of the previous year, which was primarily due to an increase of RMB431,486 million in the average balance, partially offset by a decrease of 32 basis points in the average cost. The decrease in the average cost was primarily due to the downward interest rate in the monetary market and an increase in proportion of the settlement deposits from banks and other financial institutions with lower cost.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB6,048 million to RMB28,268 million as compared to the first half of the previous year, which was primarily due to an increase of RMB526,370 million in the average balance, partially offset by a decrease of 36 basis points in the average cost. The increase in the average balance was mainly due to the issues of interbank certificates of deposit and conducting lending facilities with the PBOC. The decrease in the average cost was mainly due to the lower average cost of interbank certificates of deposit as compared to the first half of the previous year.

Net Fee and Commission Income

In the first half of 2020, we generated net fee and commission income of RMB52,350 million, representing an increase of RMB1,451 million, or 2.9%, as compared to the first half of the previous year. In particular, bank card fees increased by 9.5%, which was primarily due to the increase in income from installment business of credit card; consultancy and advisory fees increased by 6.9%, which was primarily due to the growth in syndicated loans business and bond underwriting; custodian and other fiduciary service fees increased by 35.2%, which was primarily due to the steady growth in custodian services by strengthening key projects marketing and synergy marketing.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Agency commissions	**12,314**	12,384	(70)	-0.6
Settlement and clearing fees	**6,933**	6,721	212	3.2
Bank card fees	**15,643**	14,289	1,354	9.5
Consultancy and advisory fees	**7,966**	7,453	513	6.9
Electronic banking service fees	**12,498**	12,870	(372)	-2.9
Custodian and other fiduciary service fees	**3,043**	2,250	793	35.2
Credit commitment fees	**1,062**	1,112	(50)	-4.5
Others	**337**	217	120	55.3
Fee and commission income	**59,796**	57,296	2,500	4.4
Less: Fee and commission expenses	**7,446**	6,397	1,049	16.4
Net fee and commission income	**52,350**	50,899	1,451	2.9

Other Non-interest Income

In the first half of 2020, other non-interest income amounted to RMB28,527 million, representing a decrease of RMB7,409 million, as compared to the first half of the previous year. In particular, net trading gain decreased by RMB4,843 million, primarily due to a decrease in net trading gain on derivative financial instruments. Net (loss)/gain on financial investments decreased by RMB4,871 million, primarily due to a decrease in gains on financial instruments at fair value through profit or loss. Other operating income increased by RMB2,305 million, which was primarily due to an increase in insurance premium income of our subsidiary.

Composition of Other Non-interest Income

In millions of RMB

Item	Six months ended 30 June 2020	Six months ended 30 June 2019
Net trading gain	**7,388**	12,231
Net (loss)/gain on financial investments	**(3,791)**	1,080
Other operating income	**24,930**	22,625
Total	**28,527**	35,936

Operating Expenses

In the first half of 2020, operating expenses increased by RMB2,890 million to RMB108,043 million as compared to the first half of the previous year; cost-to-income ratio decreased by 1.11 percentage points to 24.64% as compared to the first half of the previous year.

Composition of operating expenses

In millions of RMB, except for percentages

Item	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Staff costs	**57,413**	58,397	(984)	-1.7
Insurance benefits and claims	**20,538**	18,059	2,479	13.7
General operating and administrative expenses	**16,686**	15,628	1,058	6.8
Depreciation and amortization	**9,457**	9,188	269	2.9
Tax and surcharges	**2,695**	2,753	(58)	-2.1
Others	**1,254**	1,128	126	11.2
Total	**108,043**	105,153	2,890	2.7

Credit Impairment Losses

In the first half of 2020, our credit impairment losses were RMB99,123 million. In particular, impairment losses on loans increased by RMB10,364 million to RMB81,782 million as compared to the first half of the previous year, primarily because we made the allowance for impairment losses on loans with a prudent approach after full consideration of the uncertainties in the macro environment.

Income Tax Expense

In the first half of 2020, our income tax expense decreased by RMB125 million, or 0.5%, to RMB23,365 million as compared to the first half of the previous year. The effective tax rate was 17.63%, which was lower than the statutory tax rate. This was primarily because the interest income from the PRC treasury bonds and local government bonds held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Information

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

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

In millions of RMB, except for percentages

	Six months ended 30 June 2020		Six months ended 30 June 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate banking business	**135,821**	**40.0**	143,045	44.1
Retail banking business	**137,536**	**40.5**	114,608	35.3
Treasury operations	**38,355**	**11.3**	40,583	12.5
Other business	**28,062**	**8.2**	26,231	8.1
Total operating income	**339,774**	**100.0**	324,467	100.0

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

In millions of RMB, except for percentages

	Six months ended 30 June 2020		Six months ended 30 June 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Head Office	**18,819**	**5.5**	29,479	9.1
Yangtze River Delta	**63,934**	**18.8**	59,151	18.2
Pearl River Delta	**49,802**	**14.7**	45,935	14.2
Bohai Rim	**46,880**	**13.8**	43,284	13.3
Central China	**50,317**	**14.8**	44,329	13.7
Western China	**70,575**	**20.8**	63,960	19.7
Northeastern China	**11,582**	**3.4**	10,681	3.3
Overseas and others	**27,865**	**8.2**	27,648	8.5
Total operating income	**339,774**	**100.0**	324,467	100.0

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	**129,042**	**38.0**	117,120	36.1
Urban Area Banking Business	**210,732**	**62.0**	207,347	63.9
Total operating income	**339,774**	**100.0**	324,467	100.0

Balance Sheet Analysis

Assets

At 30 June 2020, our total assets amounted to RMB26,472,127 million, representing an increase of RMB1,593,839 million, or 6.4%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,136,654 million, or 8.9%; financial investments increased by RMB424,900 million, or 5.7%; cash and balances with central banks decreased by RMB327,779 million, or 12.1%, which was primarily due to a decrease in excess reserves with central banks; deposits and placements with and loans to banks and other financial institutions increased by RMB215,243 million, or 28.4%, which was primarily due to an increase in cooperative deposits with banks and other financial institutions; financial assets held under resale agreements decreased by RMB57,752 million, or 8.2%, which was primarily due to a decrease in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	**14,548,269**	**–**	13,360,188	–
Less: Allowance for impairment losses on loans	**592,005**	**–**	540,578	–
Loans and advances to customers, net	**13,956,264**	**52.7**	12,819,610	51.5
Financial investments	**7,847,830**	**29.6**	7,422,930	29.8
Cash and balances with central banks	**2,372,116**	**9.0**	2,699,895	10.9
Deposits and placements with and loans to banks and other financial institutions	**974,168**	**3.7**	758,925	3.1
Financial assets held under resale agreements	**650,799**	**2.5**	708,551	2.8
Others	**670,950**	**2.5**	468,377	1.9
Total assets	**26,472,127**	**100.0**	24,878,288	100.0

Loans and Advances to Customers

At 30 June 2020, our total loans and advances to customers amounted to RMB14,548,269 million, representing an increase of RMB1,188,081 million, or 8.9%, as compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	**14,049,659**	**96.8**	12,909,633	96.8
Corporate loans	**7,857,841**	**54.1**	7,095,770	53.2
Discounted bills	**361,447**	**2.5**	421,390	3.2
Retail loans	**5,830,371**	**40.2**	5,392,473	40.4
Overseas and others	**461,138**	**3.2**	419,913	3.2
Sub-Total	**14,510,797**	**100.0**	13,329,546	100.0
Accrued interest	**37,472**	**–**	30,642	–
Total	**14,548,269**	**–**	13,360,188	–

Distribution of Loans and Advances to Customers by Geographic Region

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**274,739**	**1.9**	319,025	2.4
Yangtze River Delta	**3,317,924**	**22.9**	2,996,889	22.4
Pearl River Delta	**2,356,087**	**16.2**	2,136,948	16.0
Bohai Rim	**2,146,109**	**14.8**	2,000,981	15.0
Central China	**2,180,999**	**15.0**	1,982,054	14.9
Northeastern China	**537,776**	**3.7**	503,266	3.8
Western China	**3,236,025**	**22.3**	2,970,470	22.3
Overseas and others	**461,138**	**3.2**	419,913	3.2
Sub-Total	**14,510,797**	**100.0**	13,329,546	100.0
Accrued interest	**37,472**	**–**	30,642	–
Total	**14,548,269**	**–**	13,360,188	–

Distribution of Corporate Loans by Product Maturity

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Short-term corporate loans	**2,578,620**	**32.8**	2,203,081	31.0
Medium- and long-term corporate loans	**5,279,221**	**67.2**	4,892,689	69.0
Total	**7,857,841**	**100.0**	7,095,770	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Manufacturing	**1,325,011**	**16.8**	1,196,978	16.9
Production and supply of power, heat, gas and water	**878,486**	**11.2**	852,697	12.0
Real estate[1]	**756,135**	**9.6**	693,376	9.8
Transportation, logistics and postal services	**1,749,270**	**22.3**	1,642,017	23.1
Wholesale and retail	**385,538**	**4.9**	310,828	4.4
Water, environment and public utilities management	**578,970**	**7.4**	511,348	7.2
Construction	**258,724**	**3.3**	225,010	3.2
Mining	**202,380**	**2.6**	201,044	2.8
Leasing and commercial services	**1,168,924**	**14.9**	1,037,898	14.6
Finance	**267,468**	**3.4**	191,141	2.7
Information transmission, software and IT services	**35,315**	**0.4**	27,612	0.4
Others[2]	**251,620**	**3.2**	205,821	2.9
Total	**7,857,841**	**100.0**	7,095,770	100.0

Notes: 1. Classification of the loans in the above table is based on the industries in which the borrowers operate. Real estate loans include real estate development loans granted to enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans granted to enterprises in the real estate industry. At the end of June 2020, the balance of real estate loans to corporate customers amounted to RMB362,491 million, representing an increase of RMB15,563 million as compared to the end of the previous year.

2. Others mainly include agriculture, forestry, animal husbandry, fishery, public health, and social work.

In the first half of 2020, we formulated or revised the credit policies for 11 industries including urban underground comprehensive pipeline corridors, metal mining and dressing, photovoltaic and polysilicon. We increased credit support in areas related to upgrading old infrastructure and constructing new infrastructure, high-quality development of manufacturing industry, and people's livelihood and wellbeing. We also strengthened management on traditional industries especially those with excess production capacity, and regularly monitored the new credit granted to steel and coal industries.

At 30 June 2020, the top five major industries for our corporate loans including: (1) transportation, logistics and postal services, (2) manufacturing, (3) leasing and commercial services, (4) production and supply of power, heat, gas and water, and (5) real estate. Aggregate loan balance of the top five major industries accounted for 74.8% of our total corporate loans, representing a decrease of 1.6 percentage points as compared to the end of the previous year. In proportion to the total corporate loans, our loans to finance industry experienced the highest increase, while loans to transportation, logistics and postal services industry and production and supply of power, heat, gas and water industry experienced the largest decreases.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Residential mortgage loans	**4,421,731**	**75.9**	4,162,431	77.2
Personal consumption loans	**180,865**	**3.1**	168,036	3.1
Loans to private business	**328,781**	**5.6**	264,305	4.9
Credit card balances	**485,416**	**8.3**	475,001	8.8
Loans to rural households	**412,953**	**7.1**	321,968	6.0
Others	**625**	**–**	732	–
Total	**5,830,371**	**100.0**	5,392,473	100.0

At 30 June 2020, the retail loans increased by RMB437,898 million, or 8.1%, as compared to the end of the previous year. Residential mortgage loans increased by 6.2% as compared to the end of the previous year, primarily because we implemented the differentiated housing credit policies and actively supported customers to purchase their residential properties for non-investment purpose; personal consumption loans increased by 7.6% as compared to the end of the previous year, primarily due to our focus on acquiring customers through online channels and vigorous efforts to promote the project of "expansion of customers" for personal consumption loans; loans to private business increased by 24.4% as compared to the end of the previous year, primarily due to the increase in inclusive loans to support private enterprises and small and micro enterprises to resume work and production; credit card balances increased by 2.2% as compared to the end of the previous year, primarily due to the rapid increase in specific spending installment of credit card business; loans to rural households increased by 28.3% as compared to the end of the previous year, primarily due to the sustained rapid increase in Huinong E-loan.

Financial investments

At 30 June 2020, our financial investments amounted to RMB7,847,830 million, representing an increase of RMB424,900 million, or 5.7%, as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB380,015 million, as compared to the end of the previous year, which was primarily due to an increase in investment in local government bonds.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	**6,977,394**	**90.2**	6,597,379	90.3
Restructuring-related debt securities	**384,245**	**5.0**	384,243	5.3
Equity instruments	**104,403**	**1.4**	100,619	1.4
Others[1]	**265,857**	**3.4**	227,369	3.0
Sub-Total	**7,731,899**	**100.0**	7,309,610	100.0
Accrued interest	**115,931**	**–**	113,320	–
Total	**7,847,830**	**–**	7,422,930	–

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

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

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	**3,824,529**	**54.8**	3,531,300	53.5
Bonds issued by policy banks	**1,360,786**	**19.5**	1,388,164	21.0
Bonds issued by other banks and financial institutions	**1,143,893**	**16.4**	1,100,892	16.7
Bonds issued by entities in public sectors	**246,631**	**3.5**	216,576	3.3
Corporate bonds	**401,555**	**5.8**	360,447	5.5
Total	**6,977,394**	**100.0**	6,597,379	100.0

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

In millions of RMB, except for percentages

Remaining Maturity	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	**–**	**–**	–	–
Less than 3 months	**454,247**	**6.5**	434,169	6.6
3–12 months	**1,128,802**	**16.2**	1,066,476	16.2
1–5 years	**3,124,615**	**44.8**	3,134,611	47.5
More than 5 years	**2,269,730**	**32.5**	1,962,123	29.7
Total	**6,977,394**	**100.0**	6,597,379	100.0

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

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	**Percentage (%)**	Amount	Percentage (%)
RMB	**6,647,846**	**95.3**	6,267,575	95.0
USD	**277,237**	**4.0**	272,831	4.1
Other foreign currencies	**52,311**	**0.7**	56,973	0.9
Total	**6,977,394**	**100.0**	6,597,379	100.0

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

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Financial assets at fair value through profit or loss	**865,079**	**11.2**	801,361	10.9
Debt investments at amortized cost	**5,074,794**	**65.6**	4,851,608	66.4
Other debts and other equity instruments investments at fair value through other comprehensive income	**1,792,026**	**23.2**	1,656,641	22.7
Sub-Total	**7,731,899**	**100.0**	7,309,610	100.0
Accrued interest	**115,931**	**–**	113,320	–
Total	**7,847,830**	**–**	7,422,930	–

Investment in Financial Bonds

Financial bonds refer to securities issued by policy banks, other banks and financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 30 June 2020, the balance of financial bonds held by the Bank was RMB2,504,679 million, including bonds of RMB1,360,786 million issued by policy banks and bonds of RMB1,143,893 million issued by other banks and financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value as at 30 June 2020.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2017 policy bank bond	32,375	3.85%	2027/1/6	–
2017 policy bank bond	26,880	4.39%	2027/9/8	–
2019 policy bank bond	26,314	3.28%	2024/2/11	–
2017 policy bank bond	26,182	3.83%	2024/1/6	–
2017 policy bank bond	23,524	4.11%	2027/3/20	–
2019 policy bank bond	20,015	3.74%	2029/7/12	–
2019 policy bank bond	19,895	3.86%	2029/5/20	–
2017 policy bank bond	19,308	4.13%	2022/4/21	–
2019 policy bank bond	18,757	3.75%	2029/1/25	–
2017 policy bank bond	18,258	4.30%	2024/8/21	–

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

Liabilities

At 30 June 2020, total liabilities increased by RMB1,460,592 million, or 6.4%, as compared to the end of the previous year to RMB24,379,118 million. In particular, deposits from customers increased by RMB1,513,943 million, or 8.0%; deposits and placements from banks and other financial institutions decreased by RMB199,597 million, or 10.9%, which was primarily due to a decrease in deposits from banks and other financial institutions; financial assets sold under repurchase agreements decreased by RMB22,177 million, or 41.7%, which was primarily due to a decrease in our demand for financial assets sold under repurchase agreements; debt securities issued increased by RMB29,715 million, or 2.7%, which was primarily due to the issue of RMB40 billion of tier-2 capital bonds in the first half of 2020.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	**20,363,098**	**83.5**	18,849,155	82.2
Deposits and placements from banks and other financial institutions	**1,629,675**	**6.7**	1,829,272	8.0
Financial assets sold under repurchase agreements	**31,020**	**0.1**	53,197	0.2
Debt securities issued	**1,137,927**	**4.7**	1,108,212	4.9
Other liabilities	**1,217,398**	**5.0**	1,078,690	4.7
Total liabilities	**24,379,118**	**100.0**	22,918,526	100.0

Deposits from Customers

At 30 June 2020, the balance of deposits from customers of the Bank increased by RMB1,513,943 million, or 8.0%, as compared to the end of the previous year to RMB20,363,098 million. In terms of customer structure, the proportion of retail deposits increased by 0.5 percentage point to 59.1% as compared to the end of the previous year. In terms of maturity structure, the proportion of demand deposits decreased by 2.5 percentage points to 54.8% as compared to the end of the previous year.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Domestic deposits	**20,037,480**	**99.5**	18,522,430	99.5
Corporate deposits	**7,656,859**	**38.0**	7,196,002	38.7
Time	**2,481,401**	**12.3**	2,231,297	12.0
Demand	**5,175,458**	**25.7**	4,964,705	26.7
Retail deposits	**11,899,686**	**59.1**	10,904,731	58.6
Time	**6,037,411**	**30.0**	5,216,113	28.0
Demand	**5,862,275**	**29.1**	5,688,618	30.6
Other deposits[1]	**480,935**	**2.4**	421,697	2.2
Overseas and others	**96,184**	**0.5**	95,743	0.5
Sub-Total	**20,133,664**	**100.0**	18,618,173	100.0
Accrued interest	**229,434**	**–**	230,982	–
Total	**20,363,098**	**–**	18,849,155	–

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

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Demand	**11,843,243**	**58.8**	11,248,552	60.4
Less than 3 months	**1,581,195**	**7.9**	1,955,120	10.5
3–12 months	**3,328,961**	**16.5**	2,596,781	13.9
1–5 years	**3,380,264**	**16.8**	2,805,116	15.1
More than 5 years	**1**	**–**	12,604	0.1
Sub-Total	**20,133,664**	**100.0**	18,618,173	100.0
Accrued interest	**229,434**	**–**	230,982	–
Total	**20,363,098**	**–**	18,849,155	–

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**327,576**	**1.6**	366,670	2.0
Yangtze River Delta	**4,740,402**	**23.5**	4,237,795	22.7
Pearl River Delta	**2,813,710**	**14.0**	2,590,965	13.9
Bohai Rim	**3,439,679**	**17.1**	3,193,377	17.2
Central China	**3,371,000**	**16.7**	3,122,629	16.8
Northeastern China	**962,915**	**4.8**	893,920	4.8
Western China	**4,382,198**	**21.8**	4,117,074	22.1
Overseas and others	**96,184**	**0.5**	95,743	0.5
Sub-Total	**20,133,664**	**100.0**	18,618,173	100.0
Accrued interest	**229,434**	**–**	230,982	–
Total	**20,363,098**	**–**	18,849,155	–

Shareholders' Equity

At 30 June 2020, the shareholders' equity amounted to RMB2,093,009 million, comprising ordinary shares of RMB349,983 million, other equity instruments of RMB284,878 million, capital reserve of RMB173,556 million, investment revaluation reserve of RMB34,926 million, surplus reserve of RMB175,016 million, general reserve of RMB311,825 million and retained earnings of RMB749,158 million. Net assets per ordinary share was RMB5.14, representing an increase of RMB0.14 as compared to the end of the previous year.

Composition of Shareholders' Equity

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	**349,983**	**16.7**	349,983	17.9
Other equity instruments	**284,878**	**13.6**	199,886	10.2
Capital reserve	**173,556**	**8.3**	173,556	8.9
Investment revaluation reserve	**34,926**	**1.7**	29,684	1.5
Surplus reserve	**175,016**	**8.4**	174,910	8.9
General reserve	**311,825**	**14.9**	277,016	14.1
Retained earnings	**749,158**	**35.8**	741,101	37.8
Foreign currency translation reserve	**2,785**	**0.1**	2,219	0.1
Non-controlling interests	**10,882**	**0.5**	11,407	0.6
Total	**2,093,009**	**100.0**	1,959,762	100.0

Off-balance Sheet Items

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

Composition of Credit Commitments

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	**1,188,499**	**42.9**	1,056,796	43.8
Bank acceptances	**505,320**	**18.2**	339,829	14.1
Guarantees and letters of guarantee	**225,092**	**8.1**	216,229	9.0
Letters of credit	**171,533**	**6.2**	151,040	6.3
Credit card commitments	**682,896**	**24.6**	646,134	26.8
Total	**2,773,340**	**100.0**	2,410,028	100.0

Other Financial Information

Changes in Accounting Policies

There were no significant changes in accounting policies during the reporting period.

Differences between the Consolidated Financial Statements prepared under IFRSs and those prepared under CASs

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

Business Review

Corporate Banking

During the reporting period, we actively provided services to support major national strategies and key areas of the real economy, fostered new growth drivers through promoting digital transformation, established a new integrated service model, tackled tough projects, improved new and targeted safeguard mechanisms, and enhanced comprehensive risk management capabilities, so as to promote the high-quality development of our corporate banking business. At the end of June 2020, the balance of domestic corporate deposits amounted to RMB7,656,859 million, representing an increase of RMB460,857 million as compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB8,219,288 million in total, representing an increase of RMB702,128 million as compared to the end of the previous year. 14,743 projects were included in our major marketing projects pool, up by 897 projects as compared to the end of the previous year, and the loans extended amounted to RMB282,919 million. At the end of June 2020, we had 6.3781 million corporate banking customers, representing an increase of 380.3 thousand customers as compared to the end of the previous year, of which 305.6 thousand customers had outstanding loan balances, representing an increase of 92.6 thousand customers as compared to the end of the previous year.

➢ We provided services to support major national strategies, such as the Belt and Road Initiative, the Coordinated Development of Beijing-Tianjin-Hebei Region, the development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the development of Yangtze River Delta Integration and the ecological protection and high-quality development of the Yellow River Basin, with an increase of RMB672.2 billion in loans in the first half of the year. We continued to provide financial services to support the new horizons of reform and opening-up by formulating dedicated service plans for Xiongan New Area, Shenzhen pilot demonstration area and Shanghai free trade zone.

➢ We provided services to support key areas of the real economy. We made full use of the specific relending provided by the PBOC. A total of RMB33,564 million was extended to 1,082 customers on the national list of key enterprises for pandemic prevention and control in the first half of the year. The number of customers with outstanding loan balances and the balance of loans in manufacturing industry (based on the use of loans) increased by 47.7 thousand and RMB143,620 million as compared to the end of the previous year, respectively. We strengthened financial services for unicorns and science and technology startups to support the new economy and the new drivers for economic growth. The balance of loans for strategic emerging industries and growing modern service industries amounted to RMB1,182,597 million, representing an increase of RMB107,861 million as compared to the end of the previous year.

➢ We supported the development of private enterprises. We supported the pandemic prevention and control and resumption of work and production of private enterprises by introducing supportive policies, increasing credit and innovating financial services. At the end of June 2020, private enterprises with outstanding loan balances reached 284.4 thousand, representing an increase of 89.3 thousand customers as compared to the end of the previous year. The balance of loans was RMB1,935,312 million, representing an increase of RMB308,760 million as compared to the end of the previous year.

- We promoted digital transformation. We accelerated to promote a middle-end marketing platform for corporate banking (CMM system), conducted targeted marketing by applying Big Data, obtained customers and improved activeness of customers through multi-channels and enhanced sophisticated management of customers. We innovated zero-contact and open online financial service model to increase online scene-based financial marketing. In the first half of the year, our number of active customers for corporate Internet banking and corporate mobile banking increased by 441.7 thousand and 435.4 thousand, respectively. We increased 149 new online supply chains, facilitating transactions with 2,167 financing customers in the upstream and downstream of supply chains.

Institutional Banking

In the first half of the year, we focused on marketing for institutional customers and institutional accounts and accelerated digital transformation of institutional banking business. At the end of June 2020, we had 479.5 thousand institutional customers and 656.1 thousand institutional accounts, respectively, representing an increase of 7.3% and 6.5%, respectively, as compared to the end of the previous year.

- In terms of financial services to the government, we continued to build the brand of "smart government affairs". At the end of June 2020, we cooperated with 30 provincial-level service platforms for government affairs, with a coverage rate of 94%. We worked with the Xiangyang Municipal Government of Hubei Province to create an "i Xiangyang" APP.

- In terms of financial services with respect to people's livelihood, we continued to build the brand of banking hospital and banking campus. We had 378 university customers and 31 thousand basic education (K12) customers launching our smart campus, and 932 medical institution customers launching our smart hospital.

- In terms of services to financial institutions, at the end of June 2020, the contracted customers for third-party depository services amounted to 46.1568 million, representing an increase of 2.6877 million as compared to the end of the previous year.

Transaction Banking

In the first half of the year, we continued to promote digital transformation of transaction banking business, and optimized comprehensive service solutions featuring "Internet + Transaction + Financing" to promote the high-quality development of our transaction banking business.

- We continued to increase number of corporate accounts and raising their quality and broadened the channels for opening "digital accounts" for corporate customers. The number of our corporate accounts grew steadily, with our corporate RMB-denominated settlement accounts reaching 8.07 million at the end of June 2020.

- We accelerated digital transformation of our transaction banking business. We started the construction of a "Smart Payment+" platform. We fully guaranteed the resumption of work and production of enterprises, the stable employment of migrant rural workers and the online supervision requirements of the governments through integrating smart fund supervision and the "Gongxin Bao" product. We helped platform customers to conduct fund transactions smoothly with products such as online account opening, guaranteed payment and online financing. At the end of June 2020, we had 2.95 million active customers in our transaction banking business.

Investment Banking

Actively implementing the national requirements of ensuring stability on the six fronts and security in the six areas, we supported the pandemic prevention and control and served the development of the real economy, and continued to improve the service solutions featuring "financing + talents". In the first half of the year, we achieved an income of RMB6,999 million from our investment banking business, representing an increase of 11.3% as compared to the first half of the previous year.

➢ We increased support for direct financing. In the first half of the year, we underwrote non-financial corporate debt financing instruments at an amount of RMB271,280 million, up by 47.0% as compared to the first half of the previous year. We actively expanded the securitization of assets in the fields of auto loans and accounts receivable. The underwriting of asset securitization business amounted to over RMB30.0 billion, ensuring smooth financing channels for market entities.

➢ We continued to promote business innovation. As a lead underwriter of the first asset-backed commercial paper (ABCP) in the inter-bank market, we developed a new model of short-term financing for enterprises. We underwrote the first debt for pandemic prevention and control under private company debt financing instrument and the first agricultural trade and wholesale market debt for pandemic prevention and control. More than RMB30.0 billion was raised by debts and debt financing plans for pandemic prevention and control. We were the first bank to be approved to carry out the business of trustee for non-financial corporate debt financing instruments.

➢ Our market influence continued to expand. We were awarded "Innovation Demonstration Award" by Beijing Financial Assets Exchange and "Excellent ABS Originator" by China Central Depository & Clearing Co., Ltd.

Retail Banking

In the first half of the year, aiming at providing safe, convenient and efficient customer service, we promoted digital transformation of our retail banking business driven by FinTech and business innovation, to accelerate development of the Bank into a preferred smart retail bank for customers. At the end of June 2020, the total number of our retail customers amounted to 847 million, representing an increase of 9.28 million as compared to the end of the previous year. The balance of domestic retail deposits and retail loans reached RMB11,899,686 million and RMB5,830,371 million, respectively, representing an increase of RMB994,955 million and RMB437,898 million as compared to the end of the previous year, respectively.

➢ We comprehensively promoted digital transformation of our retail banking business. We deepened the philosophy of digital operation, upgraded digital tools, innovated digital marketing models and extended the application of digital scenes, to comprehensively improve customer experience. With "smart brain of retail business", we served 0.62 billion customers through direct marketing by "digital human", with the sales amounting to RMB2.17 trillion. The total sales through the digital customer relationship management system amounted to RMB1.64 trillion, with the average daily sales 2.96 times of that of the previous year.

➢ We carried out "Heart Warming Initiative" to provide zero-distance service. We promoted a warm employment platform to support the resumption of work and production, with 1,049 enrolled enterprises, and over 13 thousand registered job seekers. We launched exclusive wealth management products for fighting the pandemic to be provided to military personnel, medical personnel and customers in Hubei Province.

- ➢ We enhanced the synergy between our corporate and retail businesses. We developed source businesses such as social security insurance, public finance, housing fund and public utility payment, and launched exclusive financial shops for corporate customers, whereby we promoted our retail banking businesses related to enterprises and governmental departments. We strengthened specific marketing in social security and medical insurance, obtaining our leading position in the number of electronic social security cards issued.

- ➢ We improved the cross-border financial services. We built a financial service center for studying abroad and continuously enriched foreign currency products and services. We launched featured products such as ABC QuickTransfer, Yinliduo, and Cross-border Wealth Management Connect.

- ➢ We continued to construct the open banking and expand financial scenes. To timely address our customers' needs during the pandemic, we rolled out some scene-based services on our mobile banking and WeChat banking, such as online medical visits, community management, agricultural products sales, online shopping, and viewing houses. Among these services, "Warm Community", a WeChat mini-program, was on the list of IT products (services) for communities' COVID-19 prevention and control recommended by the Ministry of Civil Affairs. In addition, we launched retail products through third-party channels, such as accounts, payments, deposits, wealth management, credit facilities and consumption loan instalments, to integrate our financial services with more financial scenes.

Retail Loans

- ➢ We actively implemented national control policies for the real estate industry to support the rational demand of residents to buy their houses for non-investment purpose. Our retail residential mortgage business achieved steady growth. At the end of June 2020, the balance of the residential mortgage loans amounted to RMB4,421,731 million, representing an increase of RMB259,300 million as compared to the end of the previous year.

- ➢ We adhered to digital transformation, accelerated innovation in procedure and product, and actively carried out specific marketing for quality employees of group customers, maintaining our leading position in the personal consumption loan market.

- ➢ We actively implemented the national requirements of ensuring stability on the six fronts and security in the six areas, supported individual industrial and commercial households and small and micro enterprises to resume work and production, vigorously promoted unsecured and medium- and long-term loans, and continued to reduce financing cost of individual and private as well as small and micro enterprises. Loans to private business increased by RMB64,476 million as compared to the end of the previous year.

Bank Card Business

- We enhanced transaction activeness and brand influence of the Jinsui debit card. We issued 3,655 thousand rural vitalization theme cards to agricultural economic entities in County Areas including rural people, large-scale professional operators, and heads of agricultural cooperatives. We also actively promoted the debit card businesses, such as mobile payment, and small payment not requiring password. At the end of June 2020, we cumulatively issued 1,077 million debit cards, representing an increase of 18 million as compared to the end of the previous year; the transaction volume was RMB11,620.308 billion in the first half of 2020.

- We accelerated digital transformation of credit card business. We promoted convenient self-services of credit card, such as online repayment, online instalments, bill inquiry, online shopping, and online card application. We launched co-branded cards such as Fan Deng Reading Card and NetEase Cloud Music Card. By upgrading the model of issuing card which combined virtual card and physical card, we created a new experience of using digital cards. We promoted the targeted marketing and automated approval of "Lefenyi" online credit product, and promoted the instalment business for home decoration through carrying out online themed activity of "ABC Home Decoration". At the end of June 2020, we cumulatively issued 125 million credit cards, with the transaction volume of RMB894.323 billion in the first half of the year.

Private Banking Business

At the end of June 2020, the number of our private banking customers reached 136 thousand and the balance of assets under management amounted to RMB1,629.6 billion, representing an increase of 13 thousand and RMB225.6 billion as compared to the end of the previous year, respectively.

- By building an integrated service platform of wealth and wisdom for private banking customers, we enhanced the synergy between corporate and retail businesses and improved our capability for asset allocation services.

- We continued to enrich our private banking products and services. The existing scale of products exclusive for private banking customers amounted to RMB381.94 billion, representing an increase of RMB61.41 billion as compared to the end of the previous year. We innovated service and operation model of family trust business, actively promoted the business related to release of shares subject to restrictions on sales, and strengthened value-added services related to health, travel, and legal and taxation consulting. We introduced 10 service measures for fighting the pandemic to promptly respond to the differentiated needs of private banking customers and provide them with warm-hearted services.

Treasury Operations

The treasury operations of the Bank include money market activities and investment portfolio management. We adhered to the development directions of serving the real economy and the transformation of the economy, and flexibly adjusted investment strategies on the basis of ensuring the security of bank-wide liquidity. Our investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- We reinforced research on monetary policies and forecast of market liquidity, used various financial instruments and reasonably allocated maturity funds to improve efficiency of fund utilization on the basis of ensuring the security of our liquidity.

- In the first half of the year, our RMB-denominated financing transactions amounted to RMB46,203,888 million, including RMB45,684,969 million in lending and RMB518,919 million in borrowing.

Investment Portfolio Management

At 30 June 2020, our financial investment amounted to RMB7,847,830 million, representing an increase of RMB424,900 million or 5.7% as compared to the end of the previous year.

Trading Book Activities

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

- In the first half of the year, as the yield of the domestic bond market fluctuated significantly, we carried out dynamic adjustment on the positions of portfolio in the trading book following the market trend and increased the liquidity of credit bond trading market.

Banking Book Activities

- We strengthened market research and forecast, reasonably seized the investment opportunities and dynamically adjusted the structures of portfolios considering the bond supply. As a result, we achieved higher portfolio returns.

- We actively invested in Special Government Bonds for COVID-19 control. We also increased investment in bonds related to transportation, energy, power and other fields to support national key areas and the construction of major projects.

Asset Management

Wealth Management

In the first half of 2020, pursuant to the new regulatory requirements for asset management, including the Guiding Opinions regarding Asset Management Business of Financial Institutions, we continued to improve our capabilities of investment as well as research and development, further optimized asset allocation, strengthened investor education, stabilized long-term capital, and innovated more net-worth products, so as to promote the stable transformation of our wealth management business.

At 30 June 2020, the balance of our outstanding wealth management products (excluding structured deposits) amounted to RMB1,795.739 billion, among which the net-worth ones, principal guaranteed ones with expected return, non-principal guaranteed ones with expected return were RMB681.952 billion, RMB276.974 billion and RMB836.813 billion, respectively, with their proportion of 37.98%, 15.42% and 46.60%, respectively.

Custody Service

In the first half of the year, we improved our capabilities of innovation and service, and seized market opportunities to promote the high-quality development of our custody service. We ranked first among the four large commercial banks in terms of increment and growth of income as well as the increase in market share. We won the "Best Sub-Custodian Bank in China" award granted by the *Global Finance* magazine of the United States for three consecutive years.

➢ We refined the intelligent custody platform by promoting the construction of intelligent custody functions such as risk warning, performance evaluation, intelligent statement and data middle platform.

➢ In the first half of the year, the first batch of funds investing in stocks listed on Science and Technology Innovation Board in the industry and the first batch of regular open fund investing in stocks listed on ChiNext Board in the industry of public offering funds were managed under our custody. We were the first to carry out multi-level custody of wealth management products among the four large commercial banks.

➢ At the end of June 2020, our assets under custody amounted to RMB10,327,256 million, representing an increase of 4.5% as compared to the end of the previous year. The commission income from custody service and other fiduciary services amounted to RMB3,043 million, representing an increase of 35.2% as compared to the first half of the previous year.

Pension

- We actively served the national strategy of coping with aging population and promoted development of our pension business. We achieved stable operation of our pension business and steady appreciation of pension assets under entrusted management through promoting online services and strengthening investment supervision and management.

- At the end of June 2020, our pension funds under entrusted management[1] amounted to RMB81,413 million, representing an increase of 23.8% as compared to the end of the previous year. The pension funds under custody amounted to RMB734.81 billion, representing an increase of 13.9% as compared to the end of the previous year. The number of personal accounts of enterprise annuity was 149.6 thousand, representing an increase of 17.4% as compared to the end of the previous year.

Precious Metals

- In the first half of the year, we traded 2,613.25 tons of gold and 51,575.27 tons of silver for our own account as well as on behalf of customers, both maintaining the leading positions in the industry in terms of market share.

- We optimized the functions of the system for account-based precious metal business and enhanced customer eligibility management to improve our service and risk prevention capabilities.

- We steadily developed the precious metal leasing and lending business to support precious metal enterprises to resume work and production.

Treasury Transactions on Behalf of Customers

- We optimized our customer structure to promote steady development of our foreign exchange transaction business on behalf of customers. In the first half of the year, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD162,536 million.

- In the first half of the year, our spot transaction volume via "Bond Connect" was over RMB250 billion, serving more than 300 customers. The market shares of Zhaishibao, one of the counter bond businesses, both in the primary market and in the secondary market were more than 50%, maintaining first in both of the markets.

- We won 10 awards including the "Best Comprehensive Market Maker" and the "Best Spot Market Maker" granted by China Foreign Exchange Trade System for 2019, and the "Excellent Market Maker via Bond Connect" for 2020 granted by Bond Connect Company Limited.

1 *Including occupational annuity, enterprise annuity and other pension assets under entrusted management.*

Agency Insurance Business

- We accelerated the development of online agency insurance business, with online business accounting for more than 90%, of which the proportion of the business through mobile banking increased by 27.4 percentage points.

- We achieved a significant increase in premiums of health insurance agency by actively seizing the development opportunities of health insurance due to the pandemic.

- In the first half of the year, the commission income from the agency of insurance amounted to RMB5,104 million, maintaining the top among the four large commercial banks.

Agency Distribution of Fund Products

- We strengthened the comprehensive cooperation with outstanding fund companies to accelerate the development of our agency distribution of fund business. At the end of June 2020, the number of funds distributed by the Bank accumulatively amounted to 1,851. In the first half of 2020, agency distribution of funds amounted to RMB148,545 million, and income from agency distribution of funds increased by 80% to RMB1,188 million as compared to the first half of the previous year.

- We applied digital tools such as marketing APP and digital customer relationship management system (DCRM) to market the "Selective Fund". The investment return of the "Selective Fund" was excellent and its brand influence continued to increase.

Internet Finance

During the reporting period, with our sustained efforts on online business innovation, expanding financial scenes, marketing and promotion, we steadily accelerated digital transformation. Capitalising on our strength in online business, we established a channel to accept donation for Hubei Province to support the pandemic prevention and control. During the pandemic, over RMB700 million from all sectors of society was donated via online channel to the charitable organisations of Hubei Province.

Smart Mobile Banking

We released our mobile banking app (version 5.0) to optimize customer experience. Aiming to increase the activeness of mobile banking customers, we continued to bolster the mobile banking as the main channel of our online operations.

- Services were launched to support the fight against the pandemic. Our online renewal of contract service relating to Internet Quick Loan and Business Supporting Loan was provided to help small and micro enterprises to renew their loans online and enabled online application for ABC Huinong E-loan. A module ABC Anti-pandemic Services was created to offer pandemic-related information, exclusive wealth management, anti-pandemic insurances and other products and services.

- Customer experience was optimized. We renewed wealth management modules and launched specific online wealth management products. We introduced a special column for foreign exchange services, which integrated eight foreign exchange services and released foreign exchange information. Regarding transfer and payment services, we launched the scheduled transfer service, upgraded the transfer service via mobile phone number, and increased the medium-free transfer limit to RMB200,000 to improve customer experience. Regarding account services, we realized one-touch switch between account profiles and asset/liability profiles, which offered a data-centred presentation of the wealth management information of customers and enabled customers to download transaction details for recent five years.

For the number of personal mobile banking customers and the transaction volume, please refer to "Distribution Channels — Online Channels — Mobile Banking".

Online Corporate Service Platform

Targeting at providing one-stop and steward-type services, we built an integrated online corporate banking service platform to continuously consolidate the foundation for the development of our corporate banking service.

- The construction of the corporate banking service platform was accelerated. We optimized the procedures for opening corporate account by introducing authentication for legal representative and video contracting. We launched the Internet banking for China (Guangdong) Pilot Free Trade Zone and the Cross-border E-Remittance, a product for local and foreign currency remittance.

- The synergy between the corporate and retail businesses was enhanced. We developed and promoted the Corporate Red Envelopes, the Inter-bank Electronic Payroll Account and other products, whereby we obtained retail customers and improved customers' activeness driven by our corporate customers.

For the numbers of customers of the corporate financial service platform and the corporate mobile banking as well as the transaction volumes, please refer to "Distribution Channels — Online Channels".

Open banking platform

We accelerated the construction and application of the open banking platform to enhance the capability of obtaining customers and improving their activeness.

- We improved the services and management for our partners. We increased the functions of cancellation, suspension, and recovery of partnerships.

- We enhanced our service output capabilities. We completed the standardized upgrade and release of APIs for various products, including Quick E Bao (monetary funds), digital wallet, appointment for private banking customer services, account opening appointment for enterprises and payment.

- We refined our basic services and improved customer experience. We optimized user authentication, online account opening, information enquiry and other service processes.

Online Credit

We coordinated the innovation and development of online credit business focusing on business lines of retail banking, small and micro enterprises, Sannong as well as the supply chain financing sectors.

- We promoted the brand of ABC E-loan. During the pandemic, through third-party channels such as WeChat, we promoted the four major sub-brands under ABC E-loan, including ABC Personal E-loan, ABC Small and Micro Enterprise E-loan, ABC Huinong E-loan and ABC Industrial E-loan, so as to guide customers to handle loans online.

- At the end of June 2020, the balance of our online credit reached RMB999.3 billion, representing an increase of RMB410.0 billion as compared to the end of the previous year.

Scene-based Finance

- We created a smart city solution. Our solution is to build a smart city focusing on smart government affairs and smart industries. Regarding smart government affairs, we developed and launched the "i Xiangyang" APP in cooperation with the government of Xiangyang Municipality in Hubei Province. It is the first mobile application for smart government affairs in the industry, featuring convenience for citizens, benefits for enterprises and rural people, and streamlined government administration. In the first half of 2020, we collaborated with 30 provincial-level government platforms and realized cooperation with 80 prefecture-level governments in government affairs. Regarding smart industries, we continued to work out a series of industrial solutions for bills payment, smart campus, smart hospital, smart community, smart travel, smart Party Construction and smart canteen, shaping a business development landscape of government customers (or G end) driving corporate customers (or B end) and corporate customers (or B end) driving individual customers (or C end).

- We accelerated to lay out the financial scenes related to Sannong. We improved customer experience for the poverty alleviation mall. We promoted the cooperative construction of the poverty alleviation mall to provide central and local entities for poverty alleviation with solutions, which covered five services as tailored zones for poverty alleviation, sales support, promotion of direct purchase, precise data analysis and professional operation services. Our poverty alleviation mall covered over 90% of the 832 key counties of national poverty alleviation, building a bridge between the poor areas and caring consumers from all sectors of the society to effectively promote poverty alleviation through consumption.

Inclusive Finance

During the reporting period, we actively promoted digital transformation of our inclusive finance business and adhered to a strict approach to risk limitation, so as to promote its steady development. At the end of June 2020, the balance of our inclusive loans to small and micro enterprises reached RMB866.142 billion, representing an increase of RMB273.835 billion, or 46.2%, as compared to the end of the previous year, which was 37.3 percentage points higher than the growth rate of the Bank. The number of customers with outstanding loan balance was 1,503.4 thousand, representing an increase of 394.3 thousand as compared to the end of the previous year. The balance of non-performing inclusive loans to small and micro enterprises was RMB7,210 million and the non-performing loan ratio was 0.83%, both recording a drop. The annualized average yield of cumulative loans granted was 4.26%, representing a decrease of 41 BP as compared to the same period of the previous year. We fulfilled the requirements of the CBIRC for "two increases and two controls". The inclusive loans in compliance with the requirement of the PBOC for lowering depository reserve ratio increased by RMB375,541 million as compared to the end of the previous year, accounting for 37.43% of new loans in RMB of the Bank, which continued to meet the requirement of the second level for deduction of depository reserve ratio stipulated by the PBOC.

➢ We continued to optimize our inclusive finance service system supported by "Sannong + Small and Micro Enterprises" with our own features. We established a two-level specialised institution system for inclusive finance with 1,000 head office-level and 900 branch-level specialized institutions to improve the inclusive finance service capabilities of our branch outlets comprehensively.

➢ We improved the online products of inclusive finance business. We accelerated the research and development of online products in the fields of first loan, renewal of loan, unsecured loan and medium- and long-term loans. We continued to improve our product innovation mechanism by category and by establishment level.

➢ We continued to establish the digital marketing system for inclusive finance. A service platform for small and micro customers and an operation and management platform for small and micro businesses were launched to support comprehensive service and marketing as well as operation and management for inclusive finance business.

➢ We built a differentiated credit policy system. We formulated administrative measures on credit business for small and micro enterprises to build a credit policy system for online and offline businesses with them. We introduced a series of targeted policy measures to support the resumption of work and production of small and micro enterprises.

➢ We improved a digital risk control system for inclusive finance business. We launched a risk identification system on small and micro enterprise customers' behaviour, enriched our risk warning indicators, and further improved the intelligent risk control system. To strengthen post-disbursement management of our online businesses, we established a new post-disbursement management model for online small and micro businesses with dual management featuring "model + customer" and overall coordination of "online + offline" businesses.

Green Finance

Green Credit

During the reporting period, we proactively practiced the philosophy of green development. Serving the national deployment to construct ecological civilization and prevent and control pollution, we regarded green credit as the thrust for fulfilling our social responsibility, serving the real economy and adjusting our credit structure. We strengthened policy guidance for green credit, increased support for our green credit business, and propel the environmental and social risk management, so that our green credit business developed steadily. At the end of June 2020, the balance of loans in green credit business reached RMB1,304 billion, up by 9.5% as compared to the end of the previous year, 0.6 percentage point higher than the average growth of loans of the Bank.

➢ Our policy guidance was highlighted. We formulated the annual credit policy guidelines to navigate credit funds into green projects such as ecological conservation and restoration, and afforestation, as well as six major green industries, i.e. energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure, and green services. We incorporated five green credit indicators, including efficiency, effectiveness, environmental protection, resource consumption, and social management into our industrial credit policies.

➢ Our environmental and social risk management was enhanced. We carried out differentiated management on customers in accordance with their environmental and social risk profiles. We applied requirements for environmental and social risk management into every procedure of credit business, including customer rating, classification, due diligence, review, approval, credit management and post-disbursement management. To customers with environmental and social risk, we shall not approve the access of new ones and cut the credit exposures of existing ones.

➢ Our basics of management were reinforced. We held bank-wide online trainings on green credit business, optimized the statistical function of the credit system, and improved the data quality management of green credit effectively.

Green Investment Banking

We engrained the green concept into all types of investment banking products and services, aiming at developing ourselves into a leading bank in green investment banking business.

➢ In the first half of 2020, we helped enterprises raise more than RMB64 billion through green syndicated loans, green M&A loans, green bonds, green asset-backed notes and other means. The proceeds were invested in sectors such as environmental governance, clean energy, and transportation.

➢ We invested RMB8 billion in the National Green Development Fund to facilitate the transformation and upgrade of the green industry.

➢ We were awarded the Best Green Bond Bank by the *Asiamoney* magazine and Excellent Underwriter of ChinaBond Green Bond Index Sample Bonds by China Central Depository & Clearing Co., Ltd.

Green Investment and Financing

➢ We invested in various green bond projects related to energy, transportation infrastructure, etc. At the end of June 2020, the invested green bonds for our own account denominated in RMB and foreign currencies reached RMB29.240 billion and USD505 million, respectively.

➢ We issued ESG-themed wealth management products, which were featured brands in the product spectrum of Agricultural Bank of China Wealth Management Co., Ltd. The proceeds were prioritized to be invested in enterprises with good ESG performance and green and environmental protection industries, such as clean energy, energy conservation and environmental protection, and ecological protection. They were also invested in areas such as poverty alleviation, rural vitalization, small and micro enterprises, the Belt and Road Initiative, relief measures for private enterprises and high-quality development. In the first half of 2020, we issued four wealth management products under ABC Anxin — Yearly Interval Open-end (ESG-themed), raising a total of RMB4.63 billion.

Cross-border Financial Service

We fully implemented the national policy of stabilizing foreign trade and foreign investment, supported foreign trade transformation and upgrading and foreign investment, and kept enhancing our comprehensive cross-border financial service system, which contributed to stable development of our cross-border business. At the end of June 2020, the total assets of our overseas branches and subsidiaries reached USD142.33 billion, and the net profit for the first half of 2020 was USD170 million.

➢ We continued to improve our cross-border financial products and service system. We accelerated product innovation and digital transformation, that we successfully put "ABC Cross-border E-Remittance" into operation and launched functions such as foreign exchange account opening appointments and remote video witness on "e-Account Opening". We continued to optimize service process and implemented integrated operation of local and foreign currency businesses to enhance our cross-border financial service.

➢ The international settlement and trade financing business maintained steady growth. In the first half of 2020, the volume of the international settlement[1] conducted by our domestic branches reached USD547.4 billion, representing an increase of 7.3% as compared to the same period of the previous year. The volume of international trade financing (including financing with domestic letter of credit) reached USD79.099 billion, representing an increase of 32.2% as compared to the same period of the previous year.

➢ We supported the Belt and Road Initiative and Going Global of enterprises. Actively serving Going Global customers and key projects, we supported Chinese enterprises to contract international projects and export equipment. In the first half of 2020, our business related to Going Global business amounted to USD18.75 billion, including USD440 million of business related to the Belt and Road Initiative.

➢ The cross-border RMB business achieved rapid development, with a total volume of RMB886.56 billion in the first half of 2020, representing an increase of 41.9% as compared to the same period of the previous year. Actively playing its role as a RMB clearing bank, Dubai Branch handled RMB34,964 million of RMB clearing business in the first half of 2020, representing an increase of 20.4% as compared to the same period of the previous year.

Integrated Operation

We continued to promote implementation of our integrated operation strategy. In the first half of 2020, our six subsidiaries of integrated operation focused on their main operation, delved into respective professional fields and operated prudently centring on the Group's overall development strategy. The synergies arising from our integrated operation gradually emerged and their market competitiveness were steadily enhanced. At the end of June 2020, total assets of our six subsidiaries of integrated operation amounted to RMB327,359 million, representing an increase of RMB33,956 million as compared to the end of the previous year and the net profit for the first half of 2020 amounted to RMB1,754 million.

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1 *We have adjusted the statistical calibre for remittance business in the international settlement conducted by domestic branches.*

- Market competitiveness of ABC-CA Fund Management Co., Ltd. improved steadily. At the end of June 2020, ABC-CA Fund Management Co., Ltd. managed 143 funds and the total assets under its management amounted to RMB527.5 billion, including RMB153 billion of non-monetary public offering funds. Its equity funds achieved an average yield of 39.49% for the first half of 2020, ranking at the forefront of the market.

- ABC International Holdings Limited maintained its leading position in terms of its core investment banking business among its comparable peers. In the first half of 2020, it completed seven sponsored underwriting projects, including JD.com and NetEase, Inc. listings in Hong Kong. It was awarded The Best IPO Advisors of HKFIA by Sina Finance in 2020.

- ABC Financial Leasing Co., Ltd. adhered to its green operation principle. Focusing on clean energy and green travel, it enhanced efficiency of green leasing through professional operation. In the first half of 2020, its investment in green leasing accounted for 85% of its total leasing investments. At the end of June 2020, the balance of its leasing assets amounted to RMB52.492 billion, up by 3.5% as compared to the end of the previous year.

- ABC Life Insurance Co., Ltd. achieved stable growth in premium income. Total premium income in the first half of the year was RMB20,548 million, an increase of 8.3% as compared to the first half of the previous year. The proportion of regularly-paid premium to the new insurance premium has ranked first for four consecutive years among its comparable peers. It actively fulfilled its social responsibility by providing free insurance to Hubei Province, Joint Logistic Support Force and frontline medical staff in several places for fighting against the pandemic.

- ABC Financial Asset Investment Co., Ltd. actively carried out the completion of market-oriented debt-for-equity swap projects. It established ABC Gaotou (Hubei) specific investment fund for fighting against the pandemic, to support enterprises in resuming work and production. At the end of June 2020, it completed 175 debt-for-equity swap projects cumulatively, with an amount of RMB238,385 million, remaining the leading position in the market.

- Adhering to its steady development philosophy and being oriented on customers, Agricultural Bank of China Wealth Management Co., Ltd. is committed to building itself into a first-class asset management institution with best customer experience.

Firstly, it provided anti-pandemic financial services. It allowed specific customers to withdraw funds from their wealth management products on an urgent basis, promptly addressed the working capital demand of anti-pandemic enterprises and increased investments in bonds and projects in respect to pandemic prevention and control. It was first to launch wealth management product portfolios themed on the fight against the pandemic to benefit particular customer groups.

Secondly, it improved its net-worth wealth management product system. It developed its "4+2" wealth management product system into a "6+N" one, which consisted of six major wealth management products including cash management, fixed income, hybrid investment, equity, commodity and foreign exchange derivatives and alternative investments, and N types of innovative ones.

Thirdly, it optimized its marketing channels layout. It upgraded the function of wealth management on mobile banking, by optimizing information display and business processing procedures. We optimized the functions of agency distribution and share registration of wealth management products to improve customer experience.

Distribution Channels

Offline Channels

During the reporting period, we continued to transform our branch outlets into more intelligent ones with less labour forces and promoted the integrated development of online and offline businesses, so as to improve marketing capabilities, risk management and control, value creation and market competitiveness of our branch outlets comprehensively.

- We coordinated the transformation of our retail businesses and branch outlets. All of the 22 thousand branch outlets completed intelligent transformation. Counter staff in branch outlets continued to be transferred to marketing service positions.

- We promoted the establishment of 5G Smart Banking branch outlets. We established nearly 40 sample 5G Smart Banking branch outlets in Beijing, Shanghai, Shenzhen, Xiongan New Area and other places, in an effort to build our branch outlets into places with warm financial service. Relying on the support of digital technology and IT system, our branch outlets' capabilities in information management, data modelling and operation trend analysis were improved to enable their smart management, smart marketing and smart security protection.

Online Channels

Mobile Banking

At the end of June 2020, the number of personal mobile banking customers reached 332 million, representing an increase of 22 million as compared to the end of the previous year, and the transaction volume was RMB34.13 trillion, representing a year-on-year increase of 19.5%. The number of corporate mobile banking customers reached 2.38 million, representing an increase of 0.54 million as compared to the end of the previous year, and the transaction volume amounted to RMB914 billion, more than two times of that of the first half of the previous year.

Internet Banking

At the end of June 2020, the number of registered customers in personal Internet banking was 331 million, representing an increase of 19 million as compared to the end of the previous year, and the transaction volume in the first half of 2020 reached RMB14.7 trillion. The number of customers of the corporate banking service platform reached 7.75 million, representing an increase of 0.52 million as compared to the end of the previous year, and the transaction volume in the first half of 2020 reached RMB99.69 trillion, representing an increase of 10.4% as compared to the first half of the previous year.

Self-service Banking

We continued to improve the basic service ability of the facilities in branch outlets. We conducted remote online monitoring and contactless inspection by code scanning with mobile phones on site. At the end of June 2020, we had 77.5 thousand sets of cash-related self-service facilities and 26.3 thousand sets of self-service terminals, with 13.1453 million daily average transactions.

Remote Channels

We accelerated the construction of cloud service centres for remote banking, to improve our remote service ability comprehensively. In the first half of 2020, 143 million calls were received by our telephone banking from customers, among which, 41.88 million calls were handled by customer service staff. The customer satisfaction rate reached 99.62%.

- ➢ We accelerated the digital transformation. We promoted building of multi-media (new media) service channels. We expanded online financial scenes in mobile banking, WeChat banking and other channels. The intelligent voice navigation through 95599 was promoted throughout the Bank. The smart robot service continued to be improved.

- ➢ We explored the contactless remote service model to improve our remote video contracting services for corporate customers.

FinTech

We worked out the *Short-term Information Technology Development Plan (2020–2021)*, in which "seven technologies, five pillars, six middle platforms and two guarantees" were proposed to promote our "iABC" strategy in information technology to build an intelligent, user-oriented and resources and capabilities integrated ABC with FinTech as its impetus. Specifically, we follow the trends of "seven technologies" to build up more powerful FinTech infrastructure. These seven technologies cover Big Data service system, cloud computing technology capability, basic artificial intelligence capability, distributed architecture R&D and application, block chain technology innovation, information security technology and network technology innovation. We orient on users and focus on "five pillars", that five business areas are empowered in financial scenes, data, risk control, and channels to promote our business transformation and upgrade. We develop the "six middle platforms" in respect of data, credit, open banking, retail marketing, corporate marketing and operation, to address urgent needs of our business transformation. And the "two guarantees" are to provide effective guarantees for informatization construction across the Bank, which are demonstrated by our strict approach to secure safe production and our continuously optimized IT governance structure.

FinTech Innovation

➢ Regarding application of Big Data technology, we established the AI and BI (data intelligence services) platforms to support whole-process AI modelling and self-service analysis. We also set up middle-platform data portals and developed over ten types of sharing services such as OCR (Optical Character Recognition)/NLP (Natural Language Processing)/knowledge graph to support flexible self-service.

➢ Regarding application of cloud computing technology, we initially built the basic cloud platform (IaaS) with more than 15,500 virtual machines and 400 physical machines. Over 20 basic software and hardware cloud services were available. It can realize the automatic allocation of development, testing and product resources, and elasticity on demand, quick delivery, flexible scheduling, and intensive utilisation of IT infrastructure. We advanced the development of the cloud application platform (PaaS) and launched PaaS cloud management platform 2.0, having put 92 applications into operation.

➢ Regarding application of AI technology, we launched mobile banking version 5.0 featuring "reengineering user's journey to improve the platform user's experience overall", so that we enhanced the capability of obtaining customers and upgraded our intelligence services. It also provided capital management services, built a unified mall platform and increased highlighted functions including registration with mobile phone number without bank card, asset profiles upgrade, payment with coupons of Poverty Alleviation Mall and medium-free transaction cap of RMB200,000. We optimized the mobile credit management system. By applying voice recognition, OCR, face recognition and other technologies, we upgraded mobile approval, video contracting, onsite inspection and other functions, to develop our credit management and operation system that integrated PC and mobile terminals.

➢ Regarding application of distributed architecture, we accelerated the transformation of our core system to distributed architecture and commenced the operation of overall control, operation and customer information functions. In the first half of 2020, the average of transactions handled by our host core system per business day reached 383 million and the average of transactions handled by our open core system per business day reached 364 million, the latter accounting for nearly 50% of total transactions, indicating that our core systems are able to completely operate in the open platform.

➢ Regarding application of block chain technology, we optimized the block chain-based processes for the pension business to shorten processing time. We advanced the development of the BaaS (Blockchain as a Service) platform and formulated the development plan, in order to provide a unified infrastructure support for various block chain application systems.

➢ Regarding application of information security technology, we promoted the construction of the security operation mechanism and a centre platform for security operation, optimized the procedures for monitoring, analysing and responding to network security events. We introduced automatic penetration testing tools to improve the accuracy and coverage of loophole detection.

➢ Regarding application of network technology, we reconstructed the Internet application of IPv6 to help improve user's experience and our risk prevention and control capabilities. By applying IPv6 segment routing technology, we optimized our core backbone network to achieve the visual and simplified operation and maintenance management based on intelligent traffic scheduling.

Improving Technology-based Operation and Management

- ➢ We established an online interactive alert platform for personal loan customers to realize automatic handling and manual intervention in alert events associated with existing personal loan customers.

- ➢ We initiated the construction of a unified credit risk monitoring platform, aiming to cover all online and offline credit products by regions, business lines and customers, to promote the sustained and stable development of our credit business.

- ➢ We promoted the construction of a monitoring and alert platform for case prevention, to evaluate the risk profiles of employees, identify their unusual behaviours and display all risk information about them.

Ensuring Safe Operation of Our Information System

- ➢ We promoted the construction of the "two cities and three centres" and established a disaster recovery system covering all important information systems. We carried out disaster recovery drill for the core system, which enabled switching without perception of our customers.

- ➢ We promoted the network construction for channel domains covering all branch outlets, adopting technologies including segment routing and software-defined WAN in backbone network earlier than our peers to realize intelligent scheduling of network traffic and transmission by sharing IPv4/IPv6.

- ➢ We forwarded the construction of an integrated operation and maintenance platform according to the idea of one portal (unified portal), one centre (configuration centre) and four platforms (platforms of monitoring, management, operation, and analysis in operation and maintenance data).

- ➢ During the reporting period, our transaction volume from operations increased rapidly. The average of transactions handled by our new integrated core systems per business day reached 747 million and the apex of daily transactions reached 987 million. The availability ratio of our core systems during major business hours reached 99.99%, maintaining their stable and sustainable service and operating capabilities.

Consumer Interests Protection

Adhering to the philosophy of "Consistently Putting Customers First", we integrated consumer interests protection in various aspects of corporate governance and included it into our development strategies and corporate culture.

- ➢ We continued to improve the policy system of consumer interests protection. In accordance with the latest regulatory provisions and our business development, we amended the policies in respect to consumer interests protection, such as the administrative measures for customer complaints, the guidelines on consumer interests protection examination, the contingency plan for major emergencies of consumer interests protection, so as to support the operation in accordance with laws and regulations and consumer interests protection.

➢ We highly valued the management of customer complaints. Our 24/7 voice helpline 95599 was dedicated to responding to customers' queries. We published the helpline and the procedures of handling complaints in our portal and branch outlets to form open complaints channels and improve customer satisfaction. We insisted that the staff who was the first to receive a complaint must be accountable for following up on the case. We earnestly listened to the demands of customers, and proactively and properly dealt with complaints.

➢ We improved the examination mechanism for consumer interests protection to constantly standardize whole-process management of products and services. Taking into account the complaints, legal proceedings, public opinions, customer satisfaction surveys, and other information concerning our products and services, we updated the key points of consumer interests protection examination in time, to fully fulfil the regulatory requirements of consumer interests protection. We conducted examinations during processes of product design and development, pricing management as well as formulating agreements, which were applied on both online and offline operations to prevent risks in advance, so as to protect consumers' legal interests.

➢ We provided dedicated, heart-warming and caring services in the fight against COVID-19 pandemic. We flexibly adjusted the housing mortgage and credit card repayment arrangements and reasonably postponed the repayment time for the customers who temporarily lost their source of income as affected by this pandemic.

➢ We completed a synergetic customer service system featuring efficient and smooth connection between departments of the head office, branches and customer services centres, so as to realize whole-process management of customers' demands.

➢ We popularized financial knowledge constantly through various channels and various forms. We built financial knowledge publicity brands such as Small Class for Consumer Interests Protection and Ka Ka WeChat Class and actively carried out online contactless activities to educate consumers.

Data Security and Customer Information Protection

We attached great importance to customer information protection, integrated customer privacy protection into our corporate culture and established a sound customer information management system to ensure the security of customer information.

➢ We optimized the information security policy system. We established a sound information security system, including management measures, implementation rules and standards, covering application, network, servers, terminals, and other fields. In the first half of this year, we revised the rules relating to information security of operation and vulnerability management in accordance with the latest laws, regulations, regulatory requirements, and cyber security multi-level protection scheme 2.0 standards.

➢ We drafted the policy for data security management. In respect of security classification, collection, processing and using of data, technical protection, monitoring and emergency response, we improved the information security policy system, clarified management requirements and standardized the business procedures.

➢ We improved customer information management policies. We revised administrative measures for customer information protection and formulated implementation rules for personal and corporate customer information protection.

- We continuously improved privacy policies. Our privacy policies for personal customers and corporate customers were formulated to stipulate the rights and obligations of customers and the Bank in information collection, processing and protection, clarify the customers' rights to manage their information including the right to access, correct, or delete their information, and the right to opt out of marketing use. During the reporting period, we informed customers of more related to collection and use of customer information, and implemented supporting mechanism for response to protection of privacy rights.

- We strengthened technical protection. We accelerated the research on terminal data protection technologies, and intensified monitoring and protection of sensitive data during terminal storage and circulation by such technical means as document encryption and control on data dissemination.

- We strengthened education for our employees and the behaviour management. We conducted education and trainings in respect of their obligations, risk and behavioural rules in protecting customer information to improve employees' sense of responsibility and continuously strengthened management over employees' daily behaviours.

Human Resources Management and Organization Management

Human Resources Management

Organization structure and human resources reform

During the reporting period, focusing on the digital transformation strategy and the demand of our business development, we deepened reforms of the organizational structure and human resources.

- We optimized institutional setup and functions for post-disbursement management of online credit business. A risk operation centre (a tier-2 department) in Chongqing was set up for centralized operation of online credit business.

- We enriched functions and institutional settings of the global anti-money laundering centre and enhanced its centralized processing ability and compliance management.

- We implemented and promoted the team management mode to enhance flexibility of organizational management and improve our efficiency of operation and market response.

- We optimized the operation sites of sub-branches, downsized internal departments in branches and sub-branches by reducing the proportions of the middle and back offices as well as their staff to increase the front-line staff for our business operation.

Development and Cultivation of Human Resources

During the reporting period, aiming at building a talent pool of competent and professional staff, we actively implemented the strategy of powering the Bank with talent force.

- We optimized the structure and echelon of our leadership teams. We focused on examining, identifying and using talents fighting on the front line in pandemic prevention and control.

- We promoted building of talent teams for digital transformation, implemented young talent programs both in the urban areas and County Areas and optimized our selection and management mechanism for professional posts to inspire talents' enthusiasm, initiative and creativity.

- We implemented the Central Government's requirement of stabilizing and ensuring employment by carrying out spring recruitment to increase the number of persons to be recruited and supplement of foundation-level institutions with more staff.

- We improved our trainer team and expanded training channels. We conducted online teaching to empower our employees continuously. In the first half of the year, more than 290 live broadcasts were carried out on the online training platform of "ABC Cloud Classroom", which were attended by over 0.44 million participants.

Information on Employees

We had a total of 455,095 employees (and 7,103 dispatched employees) at the end of June 2020, representing a decrease of 8,916 employees as compared to the end of the previous year. Among them, 710 employees were employed by our overseas branches, subsidiaries and representative offices, and 8,415 employees were employed by subsidiaries of integrated operations and rural banks.

Distribution of Employees by Regions

	30 June 2020	
	Number of Employees	Percentage (%)
Head Office	10,697	2.3
Yangtze River Delta	62,544	13.7
Pearl River Delta	49,845	11.0
Bohai Rim	65,453	14.4
Central China	93,829	20.6
Northeastern China	44,899	9.9
Western China	118,703	26.1
Overseas Branches, Subsidiaries and Representative Offices	710	0.2
Subsidiaries with Integrated Operations and Rural Banks	8,415	1.8
Total	**455,095**	**100.0**

Information on Organization

Domestic Branch Outlets

At the end of June 2020, we had 23,064 domestic branch outlets, including the Head Office, Business Department of the Head Office, three specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches (including five branches directly managed by the Head Office), 394 tier-2 branches (including branches in capital cities of provinces), 3,431 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), 19,141 foundation-level branch outlets (including 13,805 tier-2 sub-branches) and 52 other establishments.

Number of Domestic Branch Outlets by Regions

	30 June 2020	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office[1]	9	–
Yangtze River Delta	3,021	13.1
Pearl River Delta	2,485	10.8
Bohai Rim	3,306	14.3
Central China	5,167	22.4
Northeastern China	2,251	9.8
Western China	6,825	29.6
Total	**23,064**	**100.0**

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

Overseas Branch Outlets

At the end of June 2020, we had a total of 13 overseas branches and three overseas representative offices, including branches in Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Tokyo, Frankfurt, Sydney, Luxemburg, Dubai, London, Macao and Hanoi, and representative offices in Vancouver, Taipei and Sao Paulo.

Major Subsidiaries

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 with a registered capital of RMB1.75 billion, 51.67% of which was held by the Bank. Its businesses include fund-raising, sales of fund and asset management, and its major products include stock funds, mixed funds, bond funds and monetary market funds. At 30 June 2020, the total assets and net assets of ABC-CA Fund Management Co., Ltd. amounted to RMB3,695 million and RMB3,378 million, respectively. It recorded a net profit of RMB211 million for the first half of 2020.

ABC International Holdings Limited

ABC International Holdings Limited was incorporated in Hong Kong in November 2009 with a share capital of HKD4,113 million, 100% of which was held by the Bank. ABC International Holdings Limited and its wholly-owned subsidiaries are eligible to engage in providing comprehensive and integrated financial services in Hong Kong, including sponsor and underwriter for listing, issuance and underwriting of bonds, financial consultation, asset management, institutional sales, securities brokerage, securities consultation and direct investment, and is also eligible to engage in businesses including private fund management, financial consultation, investment in mainland China. At 30 June 2020, the total assets and net assets of ABC International Holdings Limited amounted to HKD41,371 million and HKD8,527 million, respectively. It recorded a net profit of HKD194 million for the first half of 2020.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 with a registered capital of RMB9.5 billion, 100% of which was held by the Bank. The principal scope of business includes financial leasing, transfer and acceptance of financial leasing assets, fixed-income securities investment business, acceptance of leasing deposits from lessees, absorbing time deposit with a maturity of three months or above from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowings, selling and disposal of leased items, economic consultation, establishment of project companies in domestic bonded zones to carry out financial leasing business, provision of guarantee for external financing to subsidiaries and project companies, and other businesses approved by the CBIRC. At 30 June 2020, the total assets and net assets of ABC Financial Leasing Co., Ltd. amounted to RMB59,341 million and RMB9,877 million, respectively. It recorded a net profit of RMB144 million for the first half of 2020.

ABC Life Insurance Co., Ltd.

ABC Life Insurance Co., Ltd. was established in December 2005 with a registered capital of RMB2,950 million, 51% of which was held by the Bank. Its principal scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the abovementioned businesses; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the CBIRC. At 30 June 2020, the total assets and net assets of ABC Life Insurance Co., Ltd. amounted to RMB104,275 million and RMB7,361 million, respectively. It recorded a net profit of RMB421 million[1] for the first half of 2020.

ABC Financial Asset Investment Company Limited

ABC Financial Asset Investment Company Limited was established in August 2017 with a registered capital of RMB10 billion, 100% of which was held by the Bank. Its principal scope of business includes: focusing on debt-for-equity swap and ancillary supporting business, conducting public fund raising from qualified public investors for debt-for-equity swap in accordance with relevant laws and regulations, issuance of specific financial bonds for debt-for-equity swap, as well as other businesses as approved by the CBIRC. At 30 June 2020, the total assets and net assets of ABC Financial Asset Investment Company Limited amounted to RMB109,278 million and RMB11,125 million, respectively. It recorded a net profit of RMB325 million for the first half of 2020.

1 *In order to keep in line with the Group's disclosure standards, the data is in accordance with the new financial instrument standard (IFRS 9), which is different from the data in accordance with the financial instrument standard (IAS 39) currently adopted by the insurance industry.*

Agricultural Bank of China Wealth Management Co., Ltd.

Agricultural Bank of China Wealth Management Co., Ltd. was established in July 2019 with a registered capital of RMB12 billion, 100% of which was held by the Bank. The principal scope of business includes public offering of wealth management products to the general public, investment and management of the above properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the above properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the CBIRC. At 30 June 2020, the total assets and net assets of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB12,981 million and RMB12,821 million, respectively. It recorded a net profit of RMB477 million for the first half of 2020.

China Agricultural Finance Co., Ltd.

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

Agricultural Bank of China (UK) Limited

Agricultural Bank of China (UK) Limited is a wholly-owned subsidiary of the Bank incorporated in the United Kingdom with a share capital of USD0.1 billion. According to our strategy of overseas business development, the Bank was undergoing procedures related to the closure of Agricultural Bank of China (UK) Limited during the reporting period.

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg with a registered capital of EUR20 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At 30 June 2020, Agricultural Bank of China (Luxembourg) Limited had total assets of USD28 million. It recorded a net loss of USD0.07 million for the first half of 2020.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the Bank incorporated in Russia with a registered capital of RUB7,556 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At 30 June 2020, Agricultural Bank of China (Moscow) Limited had total assets of USD203 million and recorded a net profit of USD0.52 million for the first half of 2020.

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province, with a registered capital of RMB31 million, 50% of which was held by the Bank. At 30 June 2020, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB306 million and RMB64 million, respectively. It recorded a net profit of RMB1.4637 million for the first half of 2020.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region, with a registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 30 June 2020, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB184 million and RMB37 million, respectively. It recorded a net loss of RMB1.0024 million for the first half of 2020.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai County, Yan'an City, Shaanxi Province, with a registered capital of RMB40 million, 51% of which was held by the Bank. At 30 June 2020, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB582 million and RMB67 million, respectively. It recorded a net profit of RMB1.2569 million for the first half of 2020.

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province, with a registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 30 June 2020, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB348 million and RMB42 million, respectively. It recorded a net profit of RMB0.0268 million for the first half of 2020.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in June 2012 in Yongkang City, Jinhua City, Zhejiang Province, with a registered capital of RMB210 million, 51% of which was held by the Bank. At 30 June 2020, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB658 million and RMB257 million, respectively. It recorded a net profit of RMB4.0514 million for the first half of 2020.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in June 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB150 million, 51% of which was held by the Bank. At 30 June 2020, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1,096 million and RMB179 million, respectively. It recorded a net profit of RMB6.2043 million for the first half of 2020.

County Area Banking Business

During the reporting period, following our strategic positioning of serving Sannong and promoting businesses in County Areas, and fully implementing the national decisions and arrangements to win the battle against poverty and the strategy of rural vitalization, we promoted the County Area Banking Business and financial poverty alleviation steadily. We continued to improve the operation mechanism of County Area Banking Division. We also actively developed a new "6+" tactics (customer+, scene+, loan+, technology+, platform+ and whole-bank+) for the development of Sannong and County Area Banking Business. Meanwhile, we deeply promoted the digital transformation of Sannong and County Area Banking Business to enhance the innovation of products and development of channels. Our County Area Banking Business remained stable with a favorable trend, and its service capabilities and market competitiveness had been further enhanced. We fulfilled the requirements of national regulations relating to serving Sannong.

➢ We improved differentiated policies. We continued to give preferential policies to our County Area Banking Division in terms of credit scale, economic capital, fixed assets, etc., and provided specific strategic expenses to financial services for key areas related to rural vitalization. We optimized the separate assessment plan for the County Area Banking Division, with an emphasis on assessing the key areas related to rural vitalization and fight against poverty.

➢ We optimized the credit policy system. Focusing on the central government's implementation of strategy for rural vitalization, we formulated annual guidelines on "Sannong" credit policies, and introduced credit policies for the seed industry, forestry, and other industries. We introduced specific supportive policies for pandemic prevention and control and spring ploughing.

➢ We enhanced risk management. We adopted FinTech to enhance our credit risk management and control capabilities in County Area Banking Business. We promoted the specific governance of high-risk sub-branches in County Areas steadily.

County Area Corporate Banking Business

During the reporting period, implementing the national requirements of ensuring stability on the six fronts and security in the six areas, we made every effort to guarantee our financial services for pandemic prevention and control and resumption of work and production. At the end of June 2020, the balance of deposits from corporate customers in County Areas was RMB2,364,689 million, representing an increase of RMB224,237 million as compared to the end of the previous year. The balance of loans to corporate customers in County Areas (excluding discount bills) amounted to RMB2,763,463 million, representing an increase of RMB277,036 million as compared to the end of the previous year.

➢ We continued to increase loans to key areas related to rural vitalization. At the end of June 2020, the balance of loans to leading agricultural industrialization enterprises increased by RMB22.6 billion to RMB165.9 billion; the balance of urbanization loans in County Areas increased by RMB82.0 billion to RMB814.9 billion; the balance of water conservancy loans increased by RMB17.3 billion to RMB377.7 billion; the balance of loans to happiness industries in County Areas increased by RMB21.4 billion to RMB120.0 billion; and the balance of loans to manufacturing industry in County Areas increased by RMB58.4 billion to RMB642.0 billion, as compared to the end of the previous year.

- We made every effort to ensure the pandemic prevention and control and the stable production and supply of agricultural products. We introduced specific policies to support key enterprises for the pandemic prevention and control, and to ensure the stable production and supply of agricultural products and pig production, so as to ensure the stability of the supply chains. At the end of June 2020, we had supported 4,530 key customers for stable production and supply of agricultural products, with a loan balance of RMB176.5 billion, representing an increase of RMB50.3 billion as compared to the end of the previous year. The balance of corporate loans related to food security amounted to RMB106.7 billion, increased by RMB16.7 billion as compared to the end of the previous year. The balance of loans related to pig production increased by RMB21.6 billion to RMB45.1 billion as compared to the end of the previous year.

- We promoted the digital transformation of County Area Corporate Banking Business. With respect to County Areas industrial clusters and agriculture-related small and micro customers, we launched innovative products such as Rural Vitalization E-loan and Yishang E-loan and promoted the product series of ABC E-loan, so as to continuously expand our corporate online financing business.

County Area Retail Banking Business

During the reporting period, to meet financial needs of retail customers in key areas related to rural vitalization, we actively expanded individual customers in County Areas and continuously enhanced our service capabilities for County Area Retail Banking Business supported by FinTech. At the end of June 2020, the balance of deposits from retail customers in County Areas amounted to RMB6,211,319 million, representing an increase of RMB623,504 million as compared to the end of the previous year. Loans to retail customers in County Areas amounted to RMB2,134,212 million, representing an increase of RMB207,414 million as compared to the end of the previous year.

- We promoted the Huinong E-loan to increase its customers and transaction volume. We upgraded the loan processing system on the mobile banking, comprehensively promoted the functions of signing and authentication by face recognition. We piloted the loan application through WeChat for white-list customers and the self-portrait system for rural households, and created a new model of batch, intensified and online operation of loans for rural households, so as to improve their access to financial services by making better use of data and IT system. At the end of June 2020, the balance of Huinong E-loan amounted to RMB310.3 billion, representing an increase of RMB111.6 billion as compared to the end of the previous year. The number of rural households with credit lines amounted to 2.4 million, representing an increase of 0.66 million as compared to the end of the previous year.

- We increased support for new-type agricultural entities, and optimized credit products for rural people to purchase their houses. At the end of June 2020, the balance of loans extended to large-scale professional operators and family farms amounted to RMB160.2 billion, representing an increase of RMB40.4 billion as compared to the end of the previous year. The balance of Anjiadai loans for rural people amounted to RMB589.7 billion, representing an increase of RMB25.7 billion as compared to the end of the previous year.

- We promoted the upgrading of the Huinongtong Project. We continued to increase the coverage of basic financial services in poor areas to exert ourselves to make utmost effort to the financial services in rural areas.

Financial Poverty Alleviation

We fully implemented the national decisions and arrangements of the fight against poverty. We formulated the *Opinions on Improving Financial Services to Fight against Poverty in 2020*, and continued our preferential policies to the poor areas in terms of credit scale, project approval, economic capital, financial expenses, channel development, assessment and incentive. We exerted effort to rectify the problems discovered during the specific inspection on poverty alleviation by the central government to further improve our financial services for poverty alleviation. We are striving to achieve the goals for this year of providing more than RMB100 billion new loans in 832 key counties of national poverty alleviation, with the loan growth rate higher than that of the whole bank and the targeted poverty alleviation loans maintaining at a sustained growth.

- We strengthened policy guidance. For the 52 counties not being lifted out of poverty and the 1,113 poverty-stricken villages highly concerned by the central government, work opinions were introduced to specify a series of preferential policies. We established a mechanism that senior management members of the Head Office and the branches were directly responsible for poverty alleviation for counties not being lifted out of poverty. We also established a mechanism of pairing Party organizations of departments in the Head Office with poverty-stricken villages in counties not being lifted out of poverty, and a specific mechanism of supervising the sub-branches in counties not being lifted out of poverty, to ensure that the responsibilities, policies and work measures for poverty alleviation were fully implemented. Differentiated credit policies were introduced for the counties of extreme poverty in "Three Regions and Three Prefectures". Financial poverty alleviation policies of the whole bank were also applied to rural households on the edge of poverty line.

- We actively minimized the impact of the pandemic. A specific work notice was issued to clarify the policies and work requirements for financial poverty alleviation during the pandemic period. For the poor households who have difficulty in repayment due to the pandemic, we should take the methods of loan renewal without repayment of principal and loan extension to relieve their worries and their difficulties. We gave priority to enterprises in poverty-stricken areas to be included in the list of key enterprises who were supported during the pandemic prevention period, and implemented preferential credit support policies.

- We increased loans to the poor areas. At the end of June 2020, loans for 832 key counties for national poverty alleviation increased by RMB130.43 billion or 12% to RMB1,221.87 billion; loans for targeted poverty alleviation increased by RMB59.02 billion or 15.1% to RMB450.49 billion; loans in the areas of extreme poverty increased by RMB61.65 billion or 15.3% to RMB464.28 billion; and loans for 52 counties not being lifted out of poverty increased by RMB14.36 billion or 25.2% to RMB71.42 billion, as compared to the end of the previous year.

- We improved the service network in the poor areas. At the end of June 2020, the coverage rate of electronic machines in administrative villages in the key counties for national poverty alleviation, the counties of extreme poverty in "Three Regions and Three Prefectures", and 52 counties not being lifted out of poverty were 86.7%, 91.2% and 88%, respectively, increased by 0.1, 3.3 and 1.4 percentage points, respectively, as compared to the end of the previous year.

➢ We carried out specific activities for poverty alleviation through consumption. Through both online and offline channels, we made utmost effort to sell unsalable agricultural products in the poor areas, especially the areas in Hubei Province, by direct purchase or provision of assistance in sales promotion. In the first half of 2020, we directly purchased agricultural products of RMB0.12 billion from the poor areas and helped promote sales of agricultural products of RMB0.52 billion.

➢ We made progress in poverty alleviation collaboration between the eastern and western regions. At the end of June 2020, 12 branches in the eastern regions have reserved 47 potential investment projects for the 12 poor areas in "Three Regions and Three Prefectures" which they have been paired with, 17 of which have already been carried out.

Financial Position

Assets and Liabilities

At 30 June 2020, the total assets of County Area Banking Business reached RMB9,547,333 million, representing an increase of 9.7% as compared to the end of the previous year. Total loans and advances to customers reached RMB5,055,815 million, representing an increase of 11.0% as compared to the end of the previous year. Deposits from customers reached RMB8,713,465 million, representing an increase of 9.5% as compared to the end of the previous year.

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

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**5,055,815**	**–**	4,553,104	–
Allowance for impairment losses on loans	**(243,364)**	**–**	(226,412)	–
Loans and advances to customers, net	**4,812,451**	**50.4**	4,326,692	49.7
Intra-bank balance[1]	**3,888,271**	**40.7**	3,622,774	41.6
Other assets	**846,611**	**8.9**	750,439	8.7
Total assets	**9,547,333**	**100.0**	8,699,905	100.0
Deposits from customers	**8,713,465**	**97.9**	7,960,558	98.5
Other liabilities	**186,549**	**2.1**	125,058	1.5
Total liabilities	**8,900,014**	**100.0**	8,085,616	100.0

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

Profit

In the first half of 2020, the profit before tax of the County Area Banking Business increased by 23.7% to RMB56,528 million, primarily due to an increase in net interest income as compared to the first half of the previous year.

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

In millions of RMB, except for percentages

	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
External interest income	**108,295**	95,936	12,359	12.9
Less: External interest expense	**58,826**	57,923	903	1.6
Interest income from intra-bank balance[1]	**58,701**	57,514	1,187	2.1
Net interest income	**108,170**	95,527	12,643	13.2
Net fee and commission income	**20,881**	19,143	1,738	9.1
Other non-interest income	**(9)**	2,450	(2,459)	-100.4
Operating income	**129,042**	117,120	11,922	10.2
Less: Operating expenses	**39,699**	39,121	578	1.5
Credit impairment losses	**32,806**	32,350	456	1.4
Impairment losses on other assets	**9**	(35)	44	–
Total profit before tax	**56,528**	45,684	10,844	23.7

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

Key Financial Indicators

In the first half of 2020, the interest spread between deposits and loans of County Area Banking Business was 3.09%, 27 basis points higher than that of the Bank. At 30 June 2020, the non-performing loan ratio of the County Area Banking Business was 1.48%, representing a decrease of 0.10 percentage point as compared to the end of the previous year. The allowance to non-performing loans was 325.26% and the allowance to loan ratio was 4.83%.

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

Unit: %

Item	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Average yield of loans	**4.55***	4.59*
Average cost of deposits	**1.46***	1.51*
Net fee and commission income to operating income	**16.18**	16.34
Cost-to-income ratio	**29.95**	32.81

Item	**30 June 2020**	31 December 2019
Loan-to-deposit ratio	**58.02**	57.20
Non-performing loan ratio	**1.48**	1.58
Allowance to non-performing loans	**325.26**	315.18
Allowance to loan ratio	**4.83**	4.99

* *Annualized figures.*

Risk Management and Internal Control

Risk Management

COVID-19 pandemic pervaded the world in the first half of 2020, which greatly affected the economic and financial operations. Facing this unprecedented severe challenge, we enhanced our comprehensive risk management and adhered to a strict approach to risk limitation. We formulated comprehensive risk management strategy and promulgated annual specific risk management policies. We controlled asset quality in order to consolidate the achievements of the Clean-up Plan and coordinated industrial credit limit management to further optimize our industrial credit structure. We promoted the building of risk control system for online credit businesses, improved online credit policy system and enhanced the anti-fraud and credit risk monitoring platform. We strengthened market risk management to ward off risk of contagion and resonance; we fortified the risk management in major areas such as derivative transaction business, enhanced the risk prevention and control mechanism and proceeded to build up the market risk exposure limit management. We also optimized management mechanism for operational risk, and strengthened network and information security management. To improve our financial product safety management, we formulated the implementing rule for assessment and examination on product innovation risk and standardized the procedures of assessment and examination on product innovation risk. We consolidated our efforts to risk assessment under the internal capital adequacy assessment process (ICAAP) to perfect the risk assessment system and mechanism. We continued to promote effective risk data aggregation and risk reporting capabilities building, and optimized and upgraded our risk data marts and risk reporting and control platform.

Credit Risk Management

In the first half of 2020, implementing national macro-control policies, we improved our credit risk management system. We continued to optimize the credit structure and strengthened the risk prevention and control in key areas and the industry-specific credit limit management, thereby mitigating various potential risks in time. We diversified the channels for collection and disposal of non-performing loans, thus maintaining our asset quality stable.

Risk Management of Corporate Banking Business

We introduced relevant credit support policies to help win the battle of pandemic prevention and control. Special authorization was given to our branches for enterprises which produce hygienic supplies and thus are entitled to be a part of the joint prevention and control mechanism of the National Development and Reform Commission, so as to improve the efficiency of business approval and help enterprises to fully guarantee sufficient production of protective supplies.

We refined the credit policy system. Three comprehensive policies were formulated including the annual credit policy guideline, Sannong and inclusive finance credit policy guidelines. The credit policies for 11 industries were formulated or revised including urban underground comprehensive pipeline corridors, metal mining and dressing, photovoltaic and polysilicon, etc. We instituted 16 differential regional credit policies for branches, and formulated supporting policies for serving transformation and upgrading as well as new drivers for economic growth, investment and transaction business management. We also integrated the internal policies by revising the administrative measures for such businesses as working capital loans, fixed asset loans and project financing.

We enhanced the credit risk management in key areas. We optimized to allocate our credit resources into the prioritizing areas including rural vitalization, old infrastructure upgrade and new infrastructure construction, high-quality development of manufacturing industry, people's livelihood and happiness industry, private enterprises and inclusive financing and green finance. We also reinforced the risk management in relation to real estate business, online business and integrated operation of the Group. Following up with the national policy adjustments to power industry, we revised our credit policies for thermal power, wind power, and solar power generation sectors in time to prevent policy risks. We tightened the management over credits to traditional industries, especially industries with excess production capacity, by regularly monitoring the increased credits granted to steel and coal industries, analyzing the rationality of increased credit on an account-by-account basis, and making good use of credit increment.

We improved the management and control over asset quality. We dynamically monitored the customers' risk profiles and devised pertinent control measures for loans to customers notably affected by the pandemic. We centralized the monitoring of group customers with large credit amount and strengthened monitoring on the risks of overseas branches and our subsidiaries. By strictly implementing the loan classification standards, we prudently identified our non-performing loans. We balanced the pandemic prevention and control with the collection and disposal of non-performing loans, while making more efforts to dispose of non-performing loans. We carried out three major actions including collection of large-amount loans, clearing of depreciable assets and collection of non-performing loans through legal actions, and continued with the disposal strategies of more collection, more write-offs and more restructuring as well as targeted transfer in batches.

Risk Management of Retail Banking Business

We continued to centralize the retail loan operation centers to the tier-1 branches and expanded the coverage of the centralized management. The research and development of risk control models and systems were promoted to improve the risk control of our retail banking business. We promoted the construction of a smart risk control system for retail loan business to strengthen risk management and control over online loans and improve our capabilities of identifying risks in respect of customers and portfolios. We stepped up efforts to collect overdue loans by applying the retail loan collection system and making more efforts to local and judicial collection, while striving to reduce new retail non-performing loans.

Risk Management of Credit Card Business

Retaining a prudent risk appetite, we strengthened credit portfolio management, optimized our credit structure and constantly improved the delicacy management on credit card assets. We strengthened pre-lending management by continuous promotion of differential management and control, risk prevention of and control over coexisting debts of the same individual and control of information authenticity. We promoted lending management by monitoring the risks of customers affected by the pandemic, early warning and implementing various types of measures to mitigate risks. We performed post-disbursement management well by strengthening asset preservation and improving the efficiency of collection of overdue loans and disposal of non-performing assets, thus maintaining our asset quality overall stable.

Risk Management of Treasury Business

We refined the risk management measures for treasury business by improving the whole-process risk management mechanism and the management of credit bond before, during and after investment. We monitored the risk profiles of credit customers and counterparties in relation to our existing treasury business, updated the list of existing credit customers that required special attention and dynamically adjusted the measures to address risks. We improved our risk control of online products by promoting the construction of Phase II of the global management platform for investment and transaction. Our subsidiaries and overseas institutions improved their monthly reporting on risks of treasury business and the sharing mechanism.

Loan Risk Classification

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

We adopted two classification management systems for loans: the five-category classification system and the 12-category classification system. Corporate loans were mainly managed with 12-category classification system. Comprehensive evaluations on customer default risk and debt transaction risk objectively reflected the risk level of loans. Such evaluations were made with more details in preparing the annual classification policies at the beginning of every year to specify the requirements for classification standards and management of loans to core corporate customers and thus improving the foreseeability and sensitivity of risk identification. Retail loans were managed with the five-category classification system which automatically classified risks based on the length of period by which payments of principal or interest were overdue and the types of collaterals, allowing for a more objective risk assessment. Large retail loans to private businesses were classified manually on a quarterly basis to enhance risk sensitivity. In addition, the classification was promptly adjusted based on the risk information collected in the credit management.

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loans secured by mortgages	**6,644,061**	**45.8**	5,898,736	44.3
Loans secured by pledges	**2,249,119**	**15.5**	2,131,098	16.0
Guaranteed loans	**1,580,058**	**10.9**	1,856,415	13.9
Unsecured loans	**4,037,559**	**27.8**	3,443,297	25.8
Sub-Total	**14,510,797**	**100.0**	13,329,546	100.0
Accrued interest	**37,472**	**–**	30,642	–
Total	**14,548,269**	**–**	13,360,188	–

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	**72,730**	**0.5**	71,118	0.5
Overdue for 91 to 360 days	**61,495**	**0.4**	49,650	0.4
Overdue for 361 days to 3 years	**44,678**	**0.3**	47,787	0.4
Overdue for more than 3 years	**14,291**	**0.1**	14,438	0.1
Total	**193,194**	**1.3**	182,993	1.4

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	112,022	0.77
Borrower B	Transportation, logistics and postal services	38,700	0.27
Borrower C	Transportation, logistics and postal services	31,674	0.22
Borrower D	Transportation, logistics and postal services	26,432	0.18
Borrower E	Transportation, logistics and postal services	26,353	0.18
Borrower F	Transportation, logistics and postal services	25,361	0.18
Borrower G	Transportation, logistics and postal services	22,594	0.16
Borrower H	Transportation, logistics and postal services	19,586	0.13
Borrower I	Production and supply of power, heat, gas and water	18,969	0.13
Borrower J	Transportation, logistics and postal services	18,105	0.12
Total		**339,796**	**2.34**

At 30 June 2020, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 4.14% of our net capital and total loans to our ten largest single borrowers represented 12.57% of our net capital.

Large Risk Exposures

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

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	**13,999,128**	**96.48**	12,843,935	96.36
Special mention	**303,924**	**2.09**	298,401	2.24
Non-performing loans	**207,745**	**1.43**	187,210	1.40
Substandard	**96,239**	**0.66**	66,462	0.50
Doubtful	**95,527**	**0.66**	103,763	0.78
Loss	**15,979**	**0.11**	16,985	0.12
Sub-Total	**14,510,797**	**100.00**	13,329,546	100.00
Accrued interest	**37,472**	**–**	30,642	–
Total	**14,548,269**	**–**	13,360,188	–

During the reporting period, adhering to seeking progress while ensuring stability as our overarching working principle, we coped with the adversities brought by the pandemic and ensured stability on the six fronts and security in the six areas, maintaining our asset quality overall stable. At 30 June 2020, the balance of our non-performing loans was RMB207.745 billion, representing an increase of RMB20.535 billion; and the non-performing loan ratio increased by 0.03 percentage point to 1.43%; and the balance of special mention loans was RMB303.924 billion, representing an increase of RMB5.523 billion; and special mention loans accounted for 2.09% of the total loans, representing a decrease of 0.15 percentage point as compared to the end of the previous year.

➢ We granted more credits to support the real economy and proactively adjusted and optimized our credit structure. The increased loans were mainly extended to areas in relation to stabilizing economic growth, securing supply, promoting resumption of work, and fighting against the pandemic.

➢ Earnestly implementing the financial relief policy and strictly adhering to our risk limitations, we formulated and promulgated the pandemic-specific risk management policy to fully support the major enterprises being affected by the pandemic to get out of the predicament and accelerate their resumption of work and production, by comprehensively employing such means as term extension, loan renewal, and delayed payment of principals and interests. We also adopted multiple measures to help small and micro enterprises solve financing difficulties and reduce their high financing cost.

➢ We strictly implemented the regulatory requirements for loan classification and made more provisions. Based on conducting stress testing and multi-scenario analysis to dynamically study and assess our asset quality and prudently assessing the impact of the pandemic, we formulated a tailor-made scheme for risk control. We also reinforced the early risk warning and risk monitoring, paid attention to key customers affected by the pandemic, and classified risks of loans to prevent potential risks.

➢ We continued our collection and disposal of non-performing loans and diversified the relevant channels. Based on collection in cash, we accelerated the write-off of bad debts and adopted market-oriented disposal means including transfer in batches, debt-for-equity swaps and non-performing asset securitization, to avoid risk accumulation.

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

	30 June 2020			31 December 2019		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	**166,393**	**80.1**	**2.12**	148,695	79.4	2.10
Short-term corporate loans	**88,849**	**42.8**	**3.45**	81,488	43.5	3.70
Medium- and long-term corporate loans	**77,544**	**37.3**	**1.47**	67,207	35.9	1.37
Discounted bills	**20**	**–**	**0.01**	21	–	–
Retail loans	**34,626**	**16.7**	**0.59**	31,699	16.9	0.59
Residential mortgage loans	**14,084**	**6.8**	**0.32**	12,386	6.6	0.30
Credit card balances	**8,765**	**4.2**	**1.81**	7,465	4.0	1.57
Personal consumption loans	**2,906**	**1.4**	**1.61**	1,746	0.9	1.04
Loans to private business	**3,323**	**1.6**	**1.01**	4,281	2.3	1.62
Loans to rural households	**5,514**	**2.7**	**1.34**	5,785	3.1	1.80
Others	**34**	**–**	**5.44**	36	–	4.92
Overseas and others	**6,706**	**3.2**	**1.45**	6,795	3.7	1.62
Total	**207,745**	**100.0**	**1.43**	187,210	100.0	1.40

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

	30 June 2020			31 December 2019		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	**66,686**	**40.1**	**5.03**	60,529	40.7	5.06
Production and supply of power, heat, gas and water	**4,508**	**2.7**	**0.51**	5,725	3.8	0.67
Real estate	**11,122**	**6.7**	**1.47**	10,038	6.8	1.45
Transportation, logistics and postal services	**15,932**	**9.6**	**0.91**	12,630	8.5	0.77
Wholesale and retail	**30,453**	**18.3**	**7.90**	30,541	20.5	9.83
Water, environment and public utilities management	**859**	**0.5**	**0.15**	659	0.4	0.13
Construction	**2,893**	**1.7**	**1.12**	2,543	1.7	1.13
Mining	**6,500**	**3.9**	**3.21**	4,697	3.2	2.34
Leasing and commercial services	**21,663**	**13.0**	**1.85**	15,150	10.2	1.46
Finance	**194**	**0.1**	**0.07**	87	0.1	0.05
Information transmission, software and IT service	**154**	**0.1**	**0.44**	84	0.1	0.30
Others	**5,429**	**3.3**	**2.16**	6,012	4.0	2.92
Total	**166,393**	**100.0**	**2.12**	148,695	100.0	2.10

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2020 Amount	30 June 2020 Percentage (%)	30 June 2020 Non-performing loan ratio (%)	31 December 2019 Amount	31 December 2019 Percentage (%)	31 December 2019 Non-performing loan ratio (%)
Head Office	**1,314**	**0.6**	**0.48**	6	–	–
Yangtze River Delta	**29,714**	**14.3**	**0.90**	29,228	15.6	0.98
Pearl River Delta	**16,286**	**7.8**	**0.69**	16,805	9.0	0.79
Bohai Rim	**53,281**	**25.7**	**2.48**	46,883	25.1	2.34
Central China	**44,411**	**21.4**	**2.04**	35,969	19.2	1.81
Northeastern China	**10,974**	**5.3**	**2.04**	8,987	4.8	1.79
Western China	**45,059**	**21.7**	**1.39**	42,537	22.7	1.43
Overseas and others	**6,706**	**3.2**	**1.45**	6,795	3.6	1.62
Total	**207,745**	**100.0**	**1.43**	187,210	100.0	1.40

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	Six months ended 30 June 2020			
	Stage I 12-month expected credit losses	Stage II Lifetime expected credit losses	Stage III Lifetime expected credit losses	Total
31 December 2019	**364,045**	**57,720**	**131,350**	**553,115**
Transfer[1]				
Stage I to stage II	(7,138)	7,138	–	–
Stage II to stage III	–	(20,201)	20,201	–
Stage II to stage I	3,170	(3,170)	–	–
Stage III to stage II	–	2,483	(2,483)	–
Originated or purchased financial assets	104,644	–	–	104,644
Remeasurement	7,159	26,566	27,778	61,503
Repayment and transfer-out	(55,072)	(7,697)	(27,365)	(90,134)
Write-offs	–	–	(22,013)	(22,013)
30 June 2020	**416,808**	**62,839**	**127,468**	**607,115**

Notes: 1. For details of the three-stage impairment model, please refer to "Note 21 Loans and Advances to Customers" to the Condensed Consolidated Interim Financial Statements.

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

Market Risk Management

During the reporting period, we formulated annual market risk management strategies and optimized our market risk management system. We continued to optimize various functions of the market risk management system and carried out comprehensive validation of Internal Model Approach. We enhanced business management on the derivative transactions with customers and account-specific products. We strengthened the performance guarantee for customers regarding their derivative transaction contracts and risk control over account-specific products. We further optimized and adjusted the exposure limits, by setting different market risk exposure limits based on parameters such as the types of products, business portfolios and types of risks. All the indicators were under control and within the limits. We properly controlled the financial investment volume and duration of the investment portfolio and constantly maintained the exposure limits of various kinds of proprietary trading at a prudential level. As a result, the exposures to our market operations were under control as a whole.

We classify all of the on- and off-balance sheet assets and liabilities into either the trading book or the banking book. The trading book includes the financial instruments and commodity positions held for trading or hedging against the risk of other items in the trading book. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

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

We adopt a historical simulation method with a confidence interval of 99% based on a holding period of one day and historical data for 250 days to measure the VaR for the trading book of the Head Office and domestic and overseas branches of the Bank.

VaR Analysis for the Trading Book

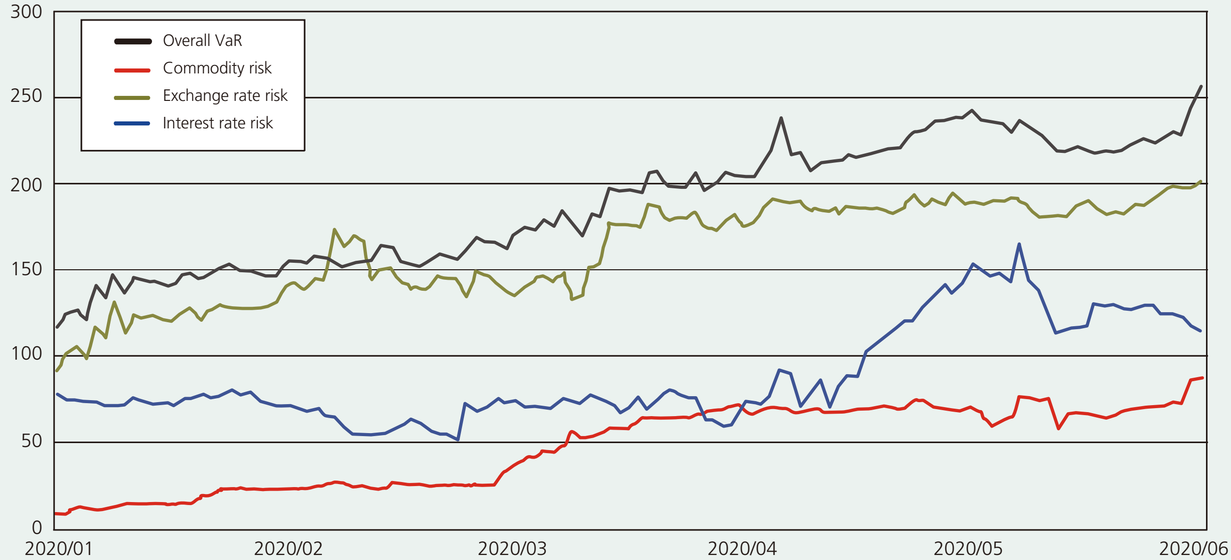
In millions of RMB

	Six months ended 30 June 2020				Six months ended 30 June 2019			
Item	**At the end of period**	**Average**	**Maximum**	**Minimum**	At the end of period	Average	Maximum	Minimum
Interest rate risk	**115**	**88**	**164**	**52**	78	98	116	78
Exchange rate risk[1]	**200**	**161**	**200**	**90**	153	118	156	62
Commodity risk	**87**	**48**	**87**	**9**	13	19	25	5
Overall VaR	**256**	**188**	**256**	**117**	170	145	172	98

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

Change in VaR of Trading Book in the first half of 2020

In millions of RMB



During the reporting period, since the bond portfolio investments increased and the interest rate showed a significant short-term upward trend, the VaR of interest rate risk increased slightly as compared to the first half of the previous year. As the foreign exchange exposure remained stable, the net exposure of gold portfolio increased, and domestic and overseas gold prices fluctuated higher than that in the first half of the previous year, the VaR of exchange rate risk increased as compared to the first half of the previous year. As the net exposure of silver portfolio increased and the volatility of prices increased, the VaR of commodity risk was higher than that in the first half of the previous year.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

In the first half of 2020, we paid close attention to interest rate movements, flexibly adjusted our internal and external pricing strategies, and constantly optimized the asset and liability product portfolio and their term structure, so as to reduce the impact of interest rate fluctuations on our overall earnings and economic value. We steadily promoted the conversion of benchmark interest rate for existing loans and applied LPR as the pricing benchmark to all new loans, resulting in most of our corporate loans linked to LPR and a significant decline in our interest rates. Under the regulators' guidelines of cutting costs and benefiting the real economy, we stabilized our net interest margins and maintained the steady growth of our net interest income by adopting measures such as optimizing asset and liability structure and enhancing delicacy management. During the reporting period, our interest rate risk generally remained stable, while all risk exposure limits were controlled within the scope of regulatory requirements and management objectives.

At 30 June 2020, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB876,815 million, representing a decrease of RMB244,540 million in absolute terms as compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	Sub-Total of 1 year and below	1–5 years	Over 5 years	Non-interest earning
30 June 2020	**(9,073,548)**	**816,270**	**7,380,463**	**(876,815)**	**215,634**	**2,307,295**	**138,970**
31 December 2019	(3,981,517)	341,810	2,518,352	(1,121,355)	814,042	1,986,997	79,447

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

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2020		31 December 2019	
Movements in basis points	**Movements in net interest income**	**Movements in other comprehensive income**	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	**(52,476)**	**(44,648)**	(25,607)	(42,579)
Decreased by 100 basis points	**52,476**	**44,648**	25,607	42,579

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

Based on the composition of the assets and liabilities at 30 June 2020, if the interest rates instantaneously increase (or decrease) by 100 basis points, the net interest income and other comprehensive income of the Bank would decrease (or increase) by RMB52,476 million and RMB44,648 million, respectively.

Exchange Rate Risk Management

The Bank's exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. During the reporting period, we regularly monitored exchange rate risk exposures and performed sensitivity analysis, continued to refine the measurement on exchange rate risk, and flexibly adjusted the trading exchange rate risk exposures, while maintaining structural exchange rate risk exposures stable. Therefore, our bank-wide exchange rate risk exposure was controlled within a reasonable range.

In the first half of 2020, the mid-point rate of RMB against USD depreciated accumulatively by 1,033 basis points or 1.48%. At 30 June 2020, the foreign exchange exposure of on- and off-balance sheet financial assets/liabilities was USD6,504 million, representing an increase of USD2,962 million in absolute terms as compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2020		31 December 2019	
	RMB	**USD equivalent**	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	**156,318**	**22,080**	50,482	7,236
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	**(110,271)**	**(15,576)**	(25,767)	(3,694)

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

Exchange Rate Sensitivity Analysis

In millions of RMB

		Impact on profit before tax	
Currency	**Increase/decrease in exchange rate of foreign currency against RMB**	**30 June 2020**	31 December 2019
USD	+5%	**(587)**	1,346
	-5%	**587**	(1,346)
HKD	+5%	**602**	(832)
	-5%	**(602)**	832

The 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 of the Bank will decrease (or increase) by RMB587 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk Management

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management/Consumers' Interest Protection Committee and the senior management; the execution system comprises departments of liquidity management, asset and liability businesses and information and technology departments, etc.; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

Liquidity Risk Management Strategy and Policy

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. We maintained an effective balance among liquidity, security and profitability, having the liquidity security being insured as prerequisite.

Liquidity Risk Management Objectives

We were able to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system, to ensure that we could promptly fulfil the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the payment obligations under normal business environment or under operational pressure, and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

Liquidity Risk Management Method

We paid close attention to changes in economic and financial situation, monetary policies, and market liquidity, continued to monitor our bank-wide liquidity condition. We strengthened the asset liability management to mitigate risks related to mismatch of maturity. We secured the core sources of deposits and facilitated the use of financial instruments, to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning, and overall allocation of liquidity position. With a moderate reserve level, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system to improve our electronic management.

Stress Testing Situation

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

Main Factors Affecting Liquidity Risk

In the first half of 2020, due to the impact of the pandemic, major economies all adopted looser monetary policies. The focuses of China's macro-economic policy varied at different stages of the pandemic prevention and control, while there was greater fluctuation in the market. Therefore, we faced much more challenges in our liquidity risk management such as increased volatility of liabilities, greater pressure from maturity mismatch management and structural optimization of assets and liabilities, and increased difficulty in balancing liquidity, security, and profitability.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control, with all regulatory indicators fulfilling the regulatory requirements. At the end of June 2020, our liquidity ratios for RMB and foreign currency were 55.53% and 151.98%, respectively. The daily average of the liquidity coverage ratio over the second quarter in 2020 decreased by 3.5 percentage points to 141.7% as compared to the previous quarter. At the end of June 2020, the net stable funding ratio was 124.7%, representing a decrease of 2.5 percentage points as compared to the previous quarter, with available stable funding of RMB18,592.6 billion in numerator and the required stable funding of RMB14,910.3 billion in denominator.

Liquidity Gap Analysis

The table below presents the Bank's net position of liquidity as at the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
30 June 2020	**27,260**	**(12,719,098)**	**550,473**	**(388,168)**	**481,209**	**2,548,315**	**8,867,725**	**2,417,368**	**1,785,084**
31 December 2019	25,889	(11,688,565)	567,445	(690,129)	36,340	3,066,681	8,144,318	2,297,152	1,759,131

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

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

Operational Risk Management

During the reporting period, we continued to improve the standards, strengthened the management, and effectively increased the accuracy, completeness and timeliness of the operational risk data. The operational risk management information system was optimized by improving its automatic data aggregation technology. We monitored, analyzed and reported operational risk events on an on-going basis, sorted out material and important cases as well as major hidden risks, and focused on the prevention and control of operational risks in key business areas and personnel in important positions. We continued to improve our IT risk management system in respect of measures for IT administration, development and operation management of IT system, and cyber security and protection, so as to prevent bank-wide and regional major IT risks. We also continued to promote the emergency response and disaster recovery drills in relation to our information systems to ensure the safe and stable operation of our important information systems.

Legal Risk Management

In the first half of 2020, we continued the construction of Agricultural Bank of China under the Rule of Law to further promote law-based governance. We provided legal support for digital transformation, serving Sannong, inclusive finance and private enterprises, reform of liberalization of the interest rate and other related businesses, to serve the real economy. We properly handled material litigations, risk events and intellectual property disputes at home and prudently addressed the risk of being involved in overseas litigations. We enhanced control over legal risks related to integrated and cross-border operation. We increased the guidance on the legal risk management for our subsidiaries, monitored important laws and regulations overseas and conducted legitimacy assessments on cross-border data, in order to establish an integrated legal risk management system at Group level.

We popularized the rule of law to raise the legal consciousness of all employees. We strengthened the learning and publicity of the Civil Code to help all employees deeply understand and grasp the core concept of the Civil Code, to ensure that adaptive adjustments had been made timely for various systems and contracts in the bank. We carried out the publicity on the rule of law for pandemic prevention and control and compiled more than 50 documents including the *Legal Guidelines for the Prevention and Control of COVID-19* to improve the employees' ability to prevent and control the pandemic according to law.

Reputational Risk Management

In the first half of 2020, we improved the reputational risk management mechanism, focused on resolving reputational risks from the source, and enhanced the overall collaborative management within the Group. We continued to strengthen the inspection and early warning of reputational risk, optimized our list for public opinion management, and refined the assessment and evaluation on reputational risk management, to improve the delicacy management of reputational risk. For those key fields in which public opinions frequently occurred, we conducted positive publicity and inducement and responded to market concerns timely and appropriately.

Country Risk Management

In accordance with regulatory requirements, we managed country risk through tools such as country risk rating, limit approval, exposure analysis and stress testing. In response to changes in the external situation, we timely made country risk assessment and adjustments to rating and limit. Taking full account of the impact of country risk on the asset quality, we made full provision for asset impairment.

Risk Consolidated Management

We continued to promote the risk consolidation management of the Group, and advanced the integration of risk management of the parent company and subsidiaries, through instructing the subsidiaries to revise their risk appetite statements and risk management policies, improve their quantitative indicators for risk appetite, and focus on the important work of the year relating to business development and risk management. We supported our subsidiaries to provide financial services for the pandemic prevention and control, and strengthen the monitoring, prevention, and control of pandemic related risks. We continued to carry out risk monitoring, risk management and assessment as well as risk evaluation at the level of affiliate, impelled the construction of risk data marts for our subsidiaries and increased the Group's risk data aggregation capabilities.

Internal Control

Internal Control Construction

During the reporting period, we improved the construction of our supervision system for internal control and compliance and implemented the plan for prevention of cases of violations, to continuously improve our management capabilities of internal control and prevention and control of risks, which ensure our operation is in compliance with laws and regulations.

➢ We improved the internal control and compliance system. We promoted the construction of system in the whole bank and effectively conducted compliance review. We coordinated the promotion the sharing and integration of operational risk management, internal control and compliance management in methods, tools, procedures, systems, personnel and rules. We carried out the warning and education activities through cases of violations, and promoted the construction of compliance culture.

➢ We implemented the Sharp Arrow Plan for prevention of cases of violations. To effectively prevent and control risks related to the cases of violations and ensure the steady development of business operation, we issued the Sharp Arrow Plan (2020–2022) for prevention of cases of violations, which stipulated the objectives for the three years to prevent and control of cases of violations in the whole bank. We comprehensively carried out all assignments to improve the quality and efficiency of case prevention work.

➢ We intensified integrated management of the Group. Following the regulatory requirements, we continued to promote the establishment of a long-term compliance management mechanism for our overseas institutions. We continued our construction of integrated authorization system of the Group and standardized the authorization management of subsidiaries. We reinforced the management over limits of insider trading for major institutions and businesses, to prevent the risks of insider trading within the Group.

➢ We strengthened supervision and accountability. In response to frequent behaviours violating laws and regulations, we strengthened compliance inspections and specific measures. We established a mechanism for supervision and evaluation on quality of inspections as well as punishment, which strengthened accountability and due diligence exemption, to constantly enhance our capability of self-examination, self-correction, self-improvement and self-perfection.

Anti-money Laundering

In the first half of 2020, we earnestly implemented the onshore and offshore regulatory requirements, coordinated overall arrangements for pandemic prevention and control, anti-money laundering and sanction compliance, and fully promoted the construction of our system for global anti-money laundering and sanction compliance.

- We strengthened the top design. We carried out institutional reform of our global anti-money laundering center, promoted the improvement of our system for the anti-money laundering and sanction compliance, and commenced building an enterprise-level intelligent management and control platform for sanctions compliance.

- By strengthening the integrated management over institutions overseas and subsidiaries, we enhanced the direct control of the Head Office over anti-money laundering and sanction compliance.

- We strengthened the fundamentals of our anti-money laundering compliance management. We steadily promoted the money-laundering risk assessment in respect of clients, products and institutions and maintained high-frequency compliance training with high quality.

- Through monitoring the suspicious transactions during the pandemic, we successfully detected and intercepted a number of cases of fraud, smuggling, illegal fund-raising and underground banking related to the pandemic, thus playing an important role in safeguarding China's financial security and social stability.

Anti-corruption and Anti-bribery

Based on the action program of fighting and winning the battle of prevention of cases of violations, we successively drafted or revised the administrative measures for prevention of cases of violations and administrative measures for case disposal, and continued to establish a sound management system to effectively strengthen our capability for prevention of cases of violations.

We fortified the ideological and moral defense of our staff against corruption and bribery. We gave full play to our characteristic "Three Lines and One Grid" management mode, to continuously strengthen the daily management of employees' behaviours and supervision and management of key positions. We improved the mechanism for violation clues reporting and early warning information, examination to encourage employees to actively participate in the prevention of cases related to corruption and bribery. We continued to carry out education activities giving alerts through demonstration of cases of violations, so as to constantly improve all employees' awareness of compliance operation in accordance with laws and prevent the risk of cases related to the employees' corruption and bribery.

Capital Management

During the reporting period, we implemented our capital plan for 2019–2021 in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*, fulfilled the restriction and guidance functions of capital on business, enhanced internal and external capital replenishment capacity, improved our long-term mechanism of capital management, and maintained prudent capital adequacy.

During the reporting period, our capital adequacy ratios increased steadily by promoting capital replenishment actively, which provided strong support for our business development and operation transformation. We continued to enhance the establishment of the internal capital adequacy assessment process (ICAAP), completed the internal capital adequacy assessment for 2020 and upgraded ICAAP working mechanism continuously in order to consolidate the foundation of capital and risk management.

Following the requirements of the Financial Stability Board (FSB) and other international and domestic regulatory requirements, as one of the Global Systemically Important Banks, we established a retest mechanism for the recovery and disposal plan and constantly improved risk warning and crisis management capabilities to reduce our risk spillover in the crises and strengthen the foundation for financial stability. We kept track of regulatory policies, enhanced the research and analysis of Total Loss Absorption Capacity (TLAC) and consolidated the basics for meeting regulatory requirements in order to enhance our risk resistance capability and public confidence.

We implemented advanced approaches of capital management and adopted advanced approaches of capital measurement and other approaches in the parallel implementation period to calculate capital adequacy ratio according to requirements of the CBIRC.

Management of Capital Financing

In May 2020, we issued RMB40 billion of tier-2 capital bonds in the inter-bank bond market of China. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our Tier 2 capital.

In May and August 2020, we issued RMB85 billion and RMB35 billion of write-down undated capital bonds in the inter-bank bond market of China, respectively. After deducting expenses in relation to the issue, the proceeds were fully used to replenish our additional Tier 1 capital.

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

Management of Economic Capital

During the reporting period, we constrained total capital, optimized asset structure and controlled the growth of risk-weighted assets in order to achieve capital-intensive development. We continued to improve the economic capital allocation mechanism, focused on strategic objectives and increased economic capital allocation in key areas, such as the fight against poverty, pandemic prevention and control, inclusive finance, and County Area Banking Business. We upgraded the capital management system, which improved the promptness and effectiveness of the transmission of capital management policies and the efficiency of monitoring economic capital.

Capital Adequacy Ratio and Leverage Ratio

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

Changes in Share Capital of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2019		Increase/decrease during the reporting period (+, –)			**30 June 2020**	
	Number of Shares	Percentage[3] (%)	New Shares Issued	Others	Sub-Total	**Number of Shares**	**Percentage[3] (%)**
I. Shares held subject to restrictions on sales[1]	25,188,916,873	7.20	–	–	–	**25,188,916,873**	**7.20**
1. State-owned[2]	19,959,672,543	5.70	–	–	–	**19,959,672,543**	**5.70**
2. State-owned legal entity[2]	5,037,783,373	1.44	–	–	–	**5,037,783,373**	**1.44**
3. Other domestic shares[2]	191,460,957	0.05	–	–	–	**191,460,957**	**0.05**
II. Shares held not subject to restrictions on sales	324,794,117,000	92.80	–	–	–	**324,794,117,000**	**92.80**
1. RMB-denominated ordinary shares	294,055,293,904	84.02	–	–	–	**294,055,293,904**	**84.02**
2. Foreign-invested shares listed overseas[2]	30,738,823,096	8.78	–	–	–	**30,738,823,096**	**8.78**
III. Total number of shares	349,983,033,873	100.00	–	–	–	**349,983,033,873**	**100.00**

Notes:

1. *"Shares held subject to restrictions on sales" refer to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations, rules, or commitments.*
2. *"State-owned" in this table refers to the shares held by the MOF and Huijin. "State-owned legal entity" refers to the shares held by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited, Zhongwei Capital Holding Company Limited and China National Tobacco Corporation Hubei Province Company. "Other domestic shares" refer to the shares held by New China Life Insurance Company Limited. "Foreign-invested shares listed overseas" refer to the H shares as defined in the No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Shareholding (Revision 2007) of the CSRC.*
3. *Rounding errors may arise in the "Percentage" column of the table above as the figures are rounded to the nearest decimal number.*
4. *Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited at 30 June 2020.*

The trading date of shares held subject to restrictions on sales

Unit: Share

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

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

Unit: Share

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

Details of Issuance and Listing of Securities

Issue of Securities

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

Employee Shares

The Bank had no employee shares.

Particulars of Holders of Ordinary Shares

Number of Shareholders and Particulars of Shareholding

As at 30 June 2020, the Bank had a total of 417,216 shareholders, including 22,654 holders of H Shares and 394,562 holders of A Shares.

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

Unit: Share

Total number of shareholders	**417,216** (as set out in the registers of shareholders of A Shares and H Shares as at 30 June 2020)

Particulars of shareholdings of the top 10 shareholders (the information below is based on the registers of shareholders as at 30 June 2020)

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+, –)	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to restrictions on sales	Number of shares pledged or locked-up
Huijin	State-owned	A Shares	–	40.03	140,087,446,351	10,082,342,569	None
MOF	State-owned	A Shares	–	35.29	123,515,185,240	9,877,329,974	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-3,851,080	8.73	30,557,230,066	–	Unknown
SSF	State-owned	A Shares	–	6.72	23,520,968,297	–	None
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	Others	A Shares	+269,966,533	0.81	2,824,241,632	–	None
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Others	A Shares	+36,201,457	0.74	2,575,513,484	–	None
China National Tobacco Corporation	State-owned legal entity	A Shares	–	0.72	2,518,891,687	2,518,891,687	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	–	0.53	1,842,751,186	–	None
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	-87,203,272	0.37	1,308,640,283	–	None
Shanghai Haiyan Investment Management Company Limited	State-owned legal entity	A Shares	–	0.36	1,259,445,843	1,259,445,843	None

Notes:

1. *The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as at 30 June 2020.*
2. *The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong and overseas.*
3. *Pursuant to the Notice on the Full Implementation of Transferring Part of State-owned Capital to Replenish Social Security Funds (Cai Zi [2019] No. 49) jointly issued by the MOF, Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council, State Taxation Administration, and the CSRC, the MOF transferred 13,723,909,471 shares to the state-owned capital transfer account of the SSF on one-off basis. In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account.*

4. *Among the shareholders listed above, both "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" are under the management of China Life Insurance Company Limited; China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above, or whether they are parties acting in concert. The number of shares held by "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" amounted to 5,399,755,116 in aggregate, accounting for 1.54% of the total share capital of the Bank. The number of shares held by China National Tobacco Corporation and Shanghai Haiyan Investment Management Company Limited amounted to 3,778,337,530 in aggregate, accounting for 1.08% of the total share capital of the Bank.*

Particulars of shareholdings of the top 10 shareholders not subject to restrictions on sales (the data below are based on the registers of shareholders as at 30 June 2020)

Unit: Share

Name of shareholders	Number of shares held not subject to restrictions on sales	Type of shares
Huijin	130,005,103,782	A Shares
MOF	113,637,855,266	A Shares
HKSCC Nominees Limited	30,557,230,066	H Shares
SSF	23,520,968,297	A Shares
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	2,824,241,632	A Shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	2,575,513,484	A Shares
China Securities Finance Corporation Limited	1,842,751,186	A Shares
Hong Kong Securities Clearing Company Limited	1,308,640,283	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares
Wutongshu Investment Platform Co., Ltd.	980,723,700	A Shares

Notes: 1. *The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as at 30 June 2020.*

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

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

Particulars of Substantial Shareholders

Change in Substantial Shareholders and De Facto Controller

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

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at 30 June 2020, the Bank received notifications from the following persons regarding their interests or short positions in the shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the *Securities and Futures Ordinance* of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Interest and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
Huijin	Beneficial owner	140,087,446,351 (A Shares)	Long position	43.88	40.03
	Interest of controlled entity	1,255,434,700 (A Shares)	Long position	0.39	0.36
MOF	Beneficial owner/nominee[1]	133,312,244,066 (A Shares)[2]	Long position	41.76	38.09
China Life Insurance (Group) Company	Beneficial owner	320,369,000 (H Shares)[3]	Long position	1.04	0.09
	Interest of controlled entity	2,780,695,000 (H Shares)[3]	Long position	9.05	0.79
China Life Insurance Company Limited	Beneficial owner	2,780,695,000 (H Shares)[3]	Long position	9.05	0.79
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
The Bank of New York Mellon Corporation	Interest of controlled entity	2,528,604,097 (H Shares)	Long position	8.23	0.72
		2,475,577,852 (H Shares)	Shares available for lending	8.05	0.71
BlackRock, Inc.	Interest of controlled entity	1,836,607,204 (H Shares)[4]	Long position	5.97	0.52
		6,655,000 (H Shares)	Short position	0.02	0.00
Citigroup Inc.	Interest of controlled entity	39,703,597 (H Shares)[5]	Long position	0.13	0.01
		14,269,755 (H Shares)	Short position	0.05	0.00
	Approved lending agent	1,546,163,444 (H Shares)[5]	Shares available for lending	5.03	0.44
China Taiping Insurance Group Ltd.	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
China Taiping Insurance Holdings Company Limited	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Life Insurance Co., Ltd.	Beneficial owner	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Asset Management Co., Ltd.	Investment manager	1,543,690,000 (H Shares)	Long position	5.02	0.44
	Interest of controlled entity	1,489,000 (H Shares)[7]	Long position	0.00	0.00

Notes:

1. *9,797,058,826 A Shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.*
2. *According to the register of members of the Bank at 30 June 2020, the MOF held 123,515,185,240 A Shares of the Bank, representing 38.69% of the issued A Shares and 35.29% of the total issued shares of the Bank, respectively.*
3. *China Life Insurance Company Limited is interested in 2,780,695,000 H Shares. As China Life Insurance Company Limited is a controlled entity of China Life Insurance (Group) Company, China Life Insurance (Group) Company is deemed to be interested in the 2,780,695,000 H Shares directly held by China Life Insurance Company Limited.*
4. *BlackRock, Inc. is deemed to be interested in 1,836,607,204 H Shares in aggregate, directly or indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are the wholly-owned subsidiaries of BlackRock, Inc.*
5. *Citigroup Inc. is deemed to be interested in 1,585,867,041 H Shares in aggregate, directly or indirectly held by Citicorp LLC and Citibank, N.A., both of which are the wholly-owned subsidiaries of Citigroup Inc.*
6. *China Taiping Insurance Group Ltd. and its non-wholly owned subsidiary, China Taiping Insurance Holdings Company Limited, are deemed to be interested in 1,545,179,000 H Shares directly held by Taiping Life Insurance Co., Ltd., which is the controlled entity of China Taiping Insurance Group Ltd.*
7. *Taiping Asset Management Co., Ltd. is deemed to be interested in 1,489,000 H Shares directly held by Taiping Fund Management Co., Ltd., which is the controlled entity of Taiping Asset Management Co., Ltd., and such number of shares represented approximately 0.0048% of the issued class shares.*

Details of Preference Shares

Issuance and Listing of Preference Shares

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

Number of Holders of Preference Shares and Their Shareholdings

As at 30 June 2020, the Bank had a total of 25 holders[1] of the preference shares "農行優1".

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優1" (Stock Code: 360001) (the information below is based on the registers of shareholders as at 30 June 2020)

Unit: Share

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

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

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

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

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

As at 30 June 2020, the Bank had a total of 32 holders of the preference shares "農行優2".

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優2" (Stock Code: 360009) (the data below are based on the registers of shareholders as at 30 June 2020)

Unit: Share

Name of shareholders[1]	Nature of shareholders[2]	Type of shares	Increase/decrease during the reporting period (+, –)[3]	Total number of shares held	Shareholding percentage[4] (%)	Number of shares pledged or locked-up
China Life Insurance Company Limited	Others	Domestic preference shares	–	50,000,000	12.50	None
China National Tobacco Corporation	Others	Domestic preference shares	–	50,000,000	12.50	None
Maxwealth Fund Management Co., Ltd.	Others	Domestic preference shares	–	25,000,000	6.25	None
China Zheshang Bank Co., Ltd.	Others	Domestic preference shares	+25,000,000	25,000,000	6.25	None
China Mobile Communications Group Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None
Shanghai Tobacco Group Co., Ltd.	Others	Domestic preference shares	–	15,700,000	3.93	None

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

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

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

Profit Distribution of Preference Shares

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

On 11 March 2020, we paid cash dividends of RMB5.50 (tax inclusive) per preference share or RMB2.2 billion (tax inclusive) in aggregate (calculated at a coupon rate of 5.50%) to all holders of "農行優2" (stock code: 360009) whose names appeared on the register of members at the close of business on 10 March 2020.

On 3 July 2020, the Board of Directors of the Bank considered and approved the Dividend Payment Scheme of 2019–2020 for the First Tranche of the Preference Shares. On 5 November 2020, we will pay cash dividends of RMB5.32 (tax inclusive) per preference share or RMB2.128 billion (tax inclusive) in aggregate, at a coupon rate of 5.32% to all holders of "農行優 1" (stock code: 360001) whose names appear on the register of members at the close of business on 4 November 2020.

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

Redemption or Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policies

In accordance with the *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments* and the *Provisions on Differentiating Financial Liabilities and Equity Instruments and Related Accounting Treatment* issued by the MOF, as well as *International Financial Reporting Standard 9 — Financial Instruments and International Accounting Standard 32 — Financial Instruments: Presentation* issued by the International Accounting Standards Board, we are of the view that the terms of preference shares "農行優 1" (stock code: 360001) and "農行優 2" (stock code: 360009) meet the definition of equity instruments.

Directors, Supervisors and Senior Management of the Bank

As at the date of this interim report being considered and approved by the Board of Directors, the compositions of the Board of Directors, Board of Supervisors and senior management of the Bank were as follows:

The Board of Directors of the Bank consisted of 13 Directors, including three Executive Directors, namely Mr. ZHOU Mubing, Mr. ZHANG Qingsong and Ms. ZHANG Keqiu; five Non-executive Directors, namely Mr. ZHU Hailin, Mr. LIAO Luming, Mr. LI Qiyun, Mr. LI Wei and Mr. WU Jiangtao; and five Independent Non-executive Directors, namely Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret and Mr. LIU Shouying.

The Board of Supervisors of the Bank consisted of seven Supervisors, including one Supervisor Representing Shareholders, namely Mr. WANG Jingdong, three Supervisors Representing Employees, namely Mr. XIA Taili, Mr. SHAO Lihong and Mr. WU Gang, and three External Supervisors, namely Mr. LI Wang, Mr. ZHANG Jie and Ms. LIU Hongxia.

The senior management of the Bank consisted of six members, namely Mr. ZHANG Qingsong, Mr. ZHANG Xuguang, Ms. ZHANG Keqiu, Mr. ZHAN Dongsheng, Mr. CUI Yong and Mr. LI Zhicheng.

As at the end of the reporting period, except for Mr. ZHOU Wanfu, the then Secretary to the Board of Directors of the Bank, who held 10,000 A Shares of the Bank, none of the incumbent Directors, Supervisors or senior management of the Bank or who left office during the reporting period held any shares of the Bank, or held any share options of the Bank, or was granted restricted shares of the Bank.

Departure of Directors, Supervisors and Senior Management

On 18 June 2020, Mr. XU Jiandong resigned as a Non-executive Director of the Bank due to work arrangements.

On 29 June 2020, Mr. CHEN Jianbo resigned as a Non-executive Director of the Bank due to work arrangements.

On 28 June 2020, Mr. WANG Xingchun resigned as a Supervisor upon the expiry of his term of office and ceased to serve as a Supervisor Representing Shareholders of the Bank, a member of the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank.

On 24 March 2020, Mr. ZHOU Wanfu resigned as the Secretary to the Board of Directors of the Bank and the Company Secretary of the Bank due to work arrangements. We have been actively identifying a suitable candidate to fill the vacancy of the Company Secretary of the Bank to meet the requirements of Rules 3.28 and 8.17 under the Hong Kong Listing Rules. We will announce the appointments of the Secretary to the Board and Company Secretary of the Bank in due course.

Corporate Governance

During the reporting period, we continued to promote the modernization of corporate governance and enhance our governance capacities in strict compliance with the laws and regulations including the *Company Law of the People's Republic of China, Securities Law of the People's Republic of China* and the *Law of the People's Republic of China on Commercial Banks*. We improved our policy systems, optimized the governance structure and made adjustments to the composition of the Board of Directors and its special committees thereunder to consistently improve the effectiveness of our corporate governance.

During the reporting period, save as disclosed above, we fully complied with all the principles and code provisions of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules and most of the recommended best practices thereof.

Shareholders' General Meetings

During the reporting period, we held one annual general meeting and one extraordinary general meeting, at which 13 proposals were considered and approved and three debriefing sessions were conducted in total, details of which are as follows:

On 28 February 2020, we held the first extraordinary general meeting for 2020 in Beijing, at which three proposals were considered and approved, including the fixed assets investment budget for 2020, and issuance plans of write-down undated capital bonds and write-down eligible tier-2 capital instruments.

On 29 June 2020, we held the 2019 Annual General Meeting in Beijing, at which 10 proposals were considered and approved, including the final financial accounts for 2019 and the profit distribution plan for 2019, etc., and three debriefing sessions in respect of the 2019 work report of independent directors, the report on the management of related party transactions of the Bank, etc. were conducted.

The above shareholders' general meetings were convened or held in strict compliance with the laws, regulations and listing rules of Hong Kong and the PRC. The Directors, Supervisors and senior management of the Bank attended the meetings and discussed with shareholders about matters they concerned. We published the poll results announcements and legal opinions on the above shareholders' general meetings in a timely manner in accordance with regulatory requirements. Such poll results announcements were published on the website of the Hong Kong Stock Exchange on 28 February 2020 and 29 June 2020, respectively, and on the website of the Shanghai Stock Exchange as well as on the media designated by the Bank for information disclosure on 29 February 2020 and 30 June 2020, respectively.

Internal Audit

During the reporting period, we adopted a risk-oriented approach to conduct risk and management audits on the key aspects, including serving the real economy, credit business, financial management, intermediary business, and internal control and case prevention; to carry out specific audits on various aspects, including targeted poverty alleviation, reduction and exemption of interest on non-performing loans, anti-money laundering and sanction compliance, protection of consumers' interests, consolidated management at group level, credit card and ETC business, bill business, information technology management, and overseas institutions; and to implement the audit on economic responsibilities of the senior management members. We continued to conduct off-site monitoring and supervise the rectification of issues identified during the internal audit to improve the quality and effectiveness of rectification and supervision. We also promoted the digital transformation of internal audit, strengthened basics of audit management and reinforced training for audit skills to effectively improve our capability of audit and supervision.

Profit and Dividends Distribution

As approved by the 2019 Annual General Meeting, we paid cash dividends of RMB0.1819 (tax inclusive) per ordinary share or RMB63,662 million (tax inclusive) in aggregate to holders of ordinary shares whose names appeared on the register of members at the close of business on 9 July 2020. We did not propose to pay any interim dividends for 2020 or increase share capital by capitalizing our capital reserve.

Material Litigation and Arbitration Matters

During the reporting period, there was no litigation or arbitration with material impact on our operations.

As at 30 June 2020, the value of the claims of the pending litigation or arbitration in which the Bank was involved as a defendant, a respondent or a third party amounted to approximately RMB5.09 billion. The management believes that the Bank has made full provision for potential losses arising from the aforesaid litigation or arbitration, and they will not have any material adverse effect on our financial position or operating results.

Major Asset Acquisition, Disposal and Merger

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

Related Party Transactions

In the first half of 2020, we applied standardized management to related party transactions, in strict compliance with the regulations issued by the MOF, the CSRC, the CBIRC, as well as the listing rules of Shanghai and Hong Kong. During the reporting period, the related party transactions of the Bank were conducted on normal commercial terms and in accordance with laws and regulations; its pricing for interest rates was subject to the fair commercial principles and no actions that damaged the interests of the Bank and minority shareholders were identified.

In the first half of 2020, we conducted a series of related party transactions with the connected persons (as defined in Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions fulfilled the applicable exemption conditions under Rule 14A.73 of the Hong Kong Listing Rules, and therefore were fully exempted from compliance with the requirements for shareholders' approval, annual review and all disclosure requirements.

For details of the related party transactions defined under the laws, regulations, and accounting standards of the PRC, please refer to "Note 43 Related Party Relationships and Transactions" to the Condensed Consolidated Interim Financial Statements.

Use of Proceeds

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

Details and Performance of Material Contracts

Material Custody, Contract and Lease

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

Material Guarantees

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

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

In July 2018, we entered into the *Promoters' Agreement on National Financing Guarantee Fund Co., Ltd.*, pursuant to which, we shall invest RMB3 billion in National Financing Guarantee Fund Co., Ltd., representing a contribution proportion of 4.5386%, which shall be paid up in four years from 2018. In November 2018, we completed the first contribution of RMB0.75 billion. In June 2019, we completed the second contribution of RMB0.75 billion. In April 2020, we completed the third contribution of RMB0.75 billion.

In July 2020, we entered into the *Promoters' Agreement on the National Green Development Fund Co., Ltd.*, pursuant to which, we shall invest RMB8 billion in the National Green Development Fund Co., Ltd., representing a contribution proportion of 9.0396%, which shall be paid up in five years from 2020.

In August 2020, the Board of Directors of the Bank resolved to increase the share capital of ABC International Holdings Limited by HKD4.25 billion. Such capital increase is subject to the CBIRC's approval.

Please refer to our relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and of the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

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

Commitments

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

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

During the reporting period, neither the Bank nor any of its Directors, Supervisors, senior management or controlling shareholders was investigated by competent authorities, subject to coercive measures imposed by judicial authorities or disciplinary authorities, transferred to judicial authorities for prosecution or held criminally liable, investigated, suffered administrative punishment, barred from the market or disqualified by the CSRC, subject to material administrative punishments imposed by other administrative authorities including environmental protection, work safety and taxation, or publicly denounced by any stock exchanges.

Integrity of the Bank and Controlling Shareholders

There was no circumstance where we or our controlling shareholders have failed to fulfill an effective court judgment or repay any outstanding debt of a significant amount that was matured.

Purchase, Sale or Redemption of the Bank's Shares

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

Implementation of Share Incentive Plan

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

Securities Transactions by Directors and Supervisors

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

Rights of Directors and Supervisors to Acquire Shares or Debentures

As at 30 June 2020, the Bank did not grant any rights to acquire shares or debentures to any Directors or Supervisors, nor was any of such rights exercised by any Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreements or arrangements enabling the Directors or Supervisors to obtain benefits by acquiring shares or debentures of the Bank or any other corporations.

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

As at 30 June 2020, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance* of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *Securities and Futures Ordinance* of Hong Kong (including interests and short positions deemed to be owned by them under such provisions of the *Securities and Futures Ordinance* of Hong Kong), or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Interim Review

The 2020 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs was reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the PRC and international standards on review engagements, respectively.

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

Change of External Auditors

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

Financial Poverty Alleviation

Please refer to "Discussion and Analysis — County Area Banking Business — Financial Poverty Alleviation".

Issue of Capital Bonds

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

Appendix I Capital Adequacy Ratio Information

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

I. Capital Adequacy Ratio Information

As of 30 June 2020, given relevant rules were in the parallel implementation period, the Bank's capital adequacy ratio, Tier 1 capital adequacy ratio and CET 1 capital adequacy ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 16.42%, 12.60% and 10.87%, respectively, and were in compliance with the regulatory requirements. The Bank's capital adequacy ratio and Tier 1 capital adequacy ratio increased 0.29 percentage point and 0.07 percentage point, respectively, CET1 capital adequacy ratio decreased by 0.37 percentage point as compared to 31 December 2019. During the first half of 2020, the Bank conducted the issue of perpetual bonds of RMB85 billion and Tier 2 capital bonds of RMB40 billion. The Bank proactively optimized and adjusted structure of assets. Accordingly, the growth rate of net capital was higher than that of risk-weighted assets, leading to an increase of 0.29 percentage point in capital adequacy ratio as compared to the end of 2019.

II. Scope for Calculating Capital Adequacy Ratio

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

III. Capital Adequacy Ratio and Risk-weighted Assets

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

In millions of RMB, except for percentages

	30 June 2020		31 December 2019	
Item	**The Group**	**The Bank**	The Group	The Bank
CET 1 capital, net	**1,788,932**	**1,737,252**	1,740,584	1,691,171
Additional Tier 1 capital, net	**284,887**	**284,878**	199,894	199,886
Tier 1 capital, net	**2,073,819**	**2,022,130**	1,940,478	1,891,057
Tier 2 capital, net	**629,536**	**622,383**	557,833	549,698
Net capital	**2,703,355**	**2,644,513**	2,498,311	2,440,755
Risk-weighted assets	**16,459,381**	**15,903,301**	15,485,352	14,914,138
Credit risk-weighted assets	**15,293,237**	**14,755,895**	14,319,045	13,767,354
Portion covered by IRB	**10,132,726**	**10,132,726**	9,485,001	9,485,001
Portion uncovered by IRB	**5,160,511**	**4,623,169**	4,834,044	4,282,353
Market risk-weighted assets	**145,441**	**139,257**	145,604	138,635
Portion covered by IMA	**132,813**	**132,813**	133,113	133,113
Portion uncovered by IMA	**12,628**	**6,444**	12,491	5,522
Operational risk-weighted assets	**1,020,703**	**1,008,149**	1,020,703	1,008,149
Additional risk-weighted assets due to the requirement of the capital floor	**–**	**–**	–	–
CET 1 capital adequacy ratio	**10.87%**	**10.92%**	11.24%	11.34%
Tier 1 capital adequacy ratio	**12.60%**	**12.72%**	12.53%	12.68%
Capital adequacy ratio	**16.42%**	**16.63%**	16.13%	16.37%

IV. Risk Exposure

(I) Credit Risk

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

In millions of RMB

	30 June 2020		31 December 2019	
Item	**Risk exposures**	**Risk-weighted assets**	Risk exposures	Risk-weighted assets
Credit risk covered by IRB approach[1]	**16,488,460**	**8,859,477**	15,405,176	8,387,018
Non-retail credit risk	**11,032,366**	**7,460,408**	10,202,033	7,074,066
Retail credit risk	**5,396,710**	**1,373,232**	5,129,428	1,279,388
Counterparty credit risk	**59,384**	**25,837**	73,715	33,564

Note: 1. Regulatory calibration is not included.

In millions of RMB

Item	30 June 2020		31 December 2019	
	Risk exposures	**Risk-weighted assets**	Risk exposures	Risk-weighted assets
Credit risk uncovered by IRB approach	**12,407,954**	**5,160,511**	12,250,531	4,834,044
On-balance sheet credit risk	**10,740,298**	**4,032,054**	10,395,858	3,726,537
of which: asset securitization	**25,788**	**90,940**	24,088	77,765
Off-balance sheet credit risk	**1,620,443**	**1,074,855**	1,807,345	1,050,585
Counterparty credit risk	**47,213**	**53,602**	47,328	56,922

Please refer to "Discussion and Analysis — Risk Management and Internal Control" in 2020 Interim Report for details of overdue loans, non-performing loans and loan loss provisions of the Bank.

(II) Market Risk

The Bank calculated the capital requirement of market risk by using the Internal Model Approach (IMA), of which uncovered portion measured by standardized approach. As of 30 June 2020, the capital requirements of all types of market risks of the Bank are shown in the following table.

In millions of RMB

Item	Capital requirements	
	30 June 2020	31 December 2019
Portion covered by IMA	**10,625**	10,649
Portion covered by standardized approach	**1,010**	999
Interest rate risk	**532**	470
Equity risk	**–**	–
Foreign exchange risk	**478**	529
Commodity risk	**–**	–
Option risk	**–**	–
Total	**11,635**	11,648

The Bank adopted historical simulation method with a 99% confidence interval based on a holding period of 10 days and historical observation period for one year to calculate the value-at-risk (VaR) and stressed VaR. VaR and stressed VaR respectively reflect the maximum losses under a certain probability that are calculated according to recent historical scenarios and historical scenarios in one year that have constituted significant stress on the Bank's assets. As of 30 June 2020, the Bank's VaR and stressed VaR under IMA of market risk are shown in the following table.

In millions of RMB

	30 June 2020			
Item	**Average**	**Highest**	**Lowest**	**Period end**
Value at risk (VaR)	1,261	1,654	1,020	1,481
Average value at risk (Stressed VaR)	2,117	2,564	1,705	2,156

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

In millions of RMB

	Risk exposures of publicly traded equity[1]		Risk exposures of non-publicly traded equity[1]		Unrealized profit or loss on potential risk[2]	
Types of the invested entity	**30 June 2020**	31 December 2019	**30 June 2020**	31 December 2019	**30 June 2020**	31 December 2019
Financial institutions	**3,149**	7,322	**2,968**	2,947	**1,592**	5,768
Companies	**898**	857	**99,742**	98,666	**(47)**	112
Total	**4,047**	8,179	**102,710**	101,613	**1,545**	5,880

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

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

Please refer to "Discussion and Analysis — Risk Management and Internal Control" for details of interest rate risk of the Bank.

(III) Operational Risk

The Bank adopted standardized approach to measure the regulatory capital for operational risk. As of the end of June 2020, the regulatory capital requirement of operational risk for the Group was RMB81,656 million, and for the Bank was RMB80,652 million.

Please refer to "Discussion and Analysis — Risk Management and Internal Control" in 2020 Interim Report for details of operational risk management.

V. Contrast between Regulatory Consolidation and Financial Statement

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

In millions of RMB

	30 June 2020		31 December 2019		
Item	Financial Statement[1]	Regulatory Consolidation	Financial Statement[1]	Regulatory Consolidation	Code
Assets					
Cash and balances with central banks	**2,372,116**	**2,372,113**	2,699,895	2,699,879	A01
Deposits with banks and other financial institutions	**449,156**	**435,446**	235,742	227,452	A02
Precious metals	**170,527**	**170,527**	30,063	30,063	A03
Placements with and loans to banks and other financial institutions	**525,012**	**525,012**	523,183	523,183	A04
Financial assets at fair value through profit or loss	**865,079**	**835,668**	801,361	776,516	A05
Derivative financial assets	**20,427**	**20,427**	24,944	24,944	A06
Financial assets held under resale agreements	**650,799**	**651,308**	708,551	706,684	A07
Loans and advances to customers	**13,956,264**	**13,955,091**	12,819,610	12,818,510	A08
Debt instrument investments at amortized cost	**5,170,218**	**5,154,840**	4,946,741	4,929,034	A09
Other debt instrument and other equity investments at fair value through other comprehensive income	**1,812,533**	**1,777,105**	1,674,828	1,642,728	A10
Long term equity investment	**7,557**	**11,409**	6,672	10,524	A11
Fixed assets	**148,248**	**147,715**	152,484	151,940	A12
Land use rights	**19,510**	**19,509**	19,889	19,888	A13
Deferred income tax assets	**124,778**	**124,778**	120,952	120,952	A14
Goodwill	**1,381**	**–**	1,381	–	A15
Intangible assets	**3,260**	**3,026**	3,229	2,987	A16
Other assets	**175,262**	**191,452**	108,763	119,559	A17
Total assets	**26,472,127**	**26,395,426**	24,878,288	24,804,843	A00

Appendix I Capital Adequacy Ratio Information

In millions of RMB

Item	30 June 2020 Financial Statement[1]	30 June 2020 Regulatory Consolidation	31 December 2019 Financial Statement[1]	31 December 2019 Regulatory Consolidation	Code
Liabilities					
Borrowings from central banks	**635,743**	**635,743**	608,536	608,536	L01
Deposits from banks and other financial institutions	**1,285,207**	**1,308,754**	1,503,909	1,516,009	L02
Placements from banks and other financial institutions	**344,468**	**344,468**	325,363	325,363	L03
Financial liabilities at fair value through profit or loss	**42,757**	**42,757**	24,333	24,333	L04
Financial assets sold under repurchase agreements	**31,020**	**26,963**	53,197	49,560	L05
Due to customers	**20,363,098**	**20,363,134**	18,849,155	18,849,192	L06
Derivative financial liabilities	**32,894**	**32,894**	29,548	29,548	L07
Debt securities issued	**1,137,927**	**1,132,827**	1,108,212	1,104,523	L08
Employee salary payables	**50,927**	**50,562**	50,471	50,124	L09
Taxes payables	**35,988**	**35,988**	67,827	67,822	L10
Dividends payables	**63,662**	**63,662**	–	–	L11
Deferred tax liabilities	**420**	**187**	520	173	L12
Provisions	**37,844**	**37,844**	30,558	30,558	L13
Other liabilities	**317,163**	**231,064**	266,897	193,007	L14
Total liabilities	**24,379,118**	**24,306,847**	22,918,526	22,848,748	L00
Equity					
Ordinary shares	**349,983**	**349,983**	349,983	349,983	E01
Other equity instruments	**284,878**	**284,878**	199,886	199,886	E02
of which: Preference shares	**79,899**	**79,899**	79,899	79,899	E03
Perpetual Bonds	**204,979**	**204,979**	119,987	119,987	E04
Capital reserve	**173,556**	**173,556**	173,556	173,556	E05
Surplus reserve	**175,016**	**175,014**	174,910	174,907	E06
General reserve	**311,825**	**311,825**	277,016	277,016	E07
Undistributed profits	**749,158**	**748,946**	741,101	741,175	E08
Minority interests	**10,882**	**6,968**	11,407	7,801	E09
Other comprehensive income	**37,711**	**37,409**	31,903	31,771	E10
of which: Foreign currency translation reserve	**2,785**	**2,785**	2,219	2,219	E11
Total equity	**2,093,009**	**2,088,579**	1,959,762	1,956,095	E00

Note: 1. For more information, please refer to the balance sheet in the Bank's 2020 Interim Report.

VI. Composition of Capital

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

In millions of RMB

Item		30 June 2020	31 December 2019	Code
CET 1 capital				
1	Paid-in capital	**349,983**	349,983	E01
2	Retained earnings	**1,235,785**	1,193,098	
2a	Surplus reserve	**175,014**	174,907	E06
2b	General reserve	**311,825**	277,016	E07
2c	Undistributed profits	**748,946**	741,175	E08
3	Accumulated other comprehensive income and disclosed reserve	**210,965**	205,327	
3a	Capital reserve	**173,556**	173,556	E05
3b	Others	**37,409**	31,771	E10
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	**66**	59	
6	**CET 1 capital before regulatory adjustments**	**1,796,799**	1,748,467	
CET 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	**–**	–	
8	Goodwill (net of deferred tax liability)	**–**	–	A15
9	Other intangible assets other than land use rights (net of deferred tax liability)	**3,026**	2,987	A16
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**6**	7	
11	Cash-flow hedge reserve to the items not calculated at fair value	**(63)**	–	
12	Shortfall of provisions to expected losses on loans	**–**	–	
13	Securitization gain on sale	**–**	–	
14	Unrealized gains and losses due to changes in own credit risk on fair valued liabilities		–	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	**–**	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**–**	–	
17	Reciprocal cross-holdings in common equity	**–**	–	
18	Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
19	Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
20	Mortgage servicing rights	**–**	–	
21	Other deductible amount in the net deferred tax asset that rely on future profitability of the Bank	**–**	–	

Item		30 June 2020	31 December 2019	Code
22	Deductible amount of 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: deductible amount of significant investments in the capital of financial institutions	**–**	–	
24	of which: mortgage servicing rights	**–**	–	
25	of which: deductible amount in other net deferred tax assets that rely on the Bank's future profitability	**–**	–	
26a	Investment in CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	**4,898**	4,889	
26b	Shortfall of CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	**–**	–	
26c	Total other items deductible from CET 1 capital	**–**	–	
27	Regulatory adjustments applied to CET 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	**–**	–	
28	**Total regulatory adjustments to CET 1 capital**	**7,867**	7,883	
29	**CET 1 capital**	**1,788,932**	1,740,584	
Additional Tier 1 capital				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	**284,878**	199,886	E02
31	of which: classified as equity	**284,878**	199,886	
32	of which: classified as liabilities	**–**	–	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	**–**	–	
34	Additional Tier 1 instruments issued by subsidiaries and held by third parties	**9**	8	
35	of which: instruments issued by subsidiaries subject to phase out	**–**	–	
36	**Additional Tier 1 capital before regulatory adjustments**	**284,887**	199,894	
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments	**–**	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	**–**	–	
39	Deductible amount of additional Tier 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
40	Additional Tier 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	**–**	–	
41c	Other items deductible from Additional Tier 1 capital	**–**	–	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	**–**	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**–**	–	

Item		30 June 2020	31 December 2019	Code
44	**Additional Tier 1 capital**	**284,887**	199,894	
45	**Tier 1 capital (CET 1 capital + Additional Tier 1 capital)**	**2,073,819**	1,940,478	
Tier 2 capital				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	**269,912**	244,900	
47	of which: Directly issued capital instruments subject to phase out from Tier 2	**30,000**	45,000	
48	Tier 2 instruments issued by subsidiaries and held by third parties	**18**	16	
49	of which: Portions not given recognition after the phase-out period	**–**	–	
50	Excess loan loss provisions	**359,606**	312,917	
51	**Tier 2 capital before regulatory adjustments**	**629,536**	557,833	
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**	**629,536**	557,833	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	**2,703,355**	2,498,311	
60	**Total risk weighed assets**	**16,459,381**	15,485,352	
Capital adequacy ratios and reserve capital requirements				
61	CET 1 capital adequacy ratio	**10.87%**	11.24%	
62	Tier 1 capital adequacy ratio	**12.60%**	12.53%	
63	Capital adequacy ratio	**16.42%**	16.13%	
64	Institution specific buffer requirement	**3.50%**	3.50%	
65	of which: capital conservation buffer requirement	**2.50%**	2.50%	
66	of which: countercyclical buffer requirement	**0.00%**	0.00%	
67	of which: G-SIBs buffer requirement	**1.00%**	1.00%	
68	CET 1 capital available to meet buffers (as a percentage of risk weighted assets)	**5.87%**	6.24%	
National minimum				
69	CET 1 minimum ratio	**5%**	5%	
70	Tier 1 minimum ratio	**6%**	6%	
71	Total capital minimum ratio	**8%**	8%	

Item	30 June 2020	31 December 2019	Code
Amounts not deducted from the thresholds for deduction			
72 Non-significant investments in the capital of other unconsolidated financial institutions	**103,687**	90,081	
73 Significant investments in the common stock of unconsolidated financial institutions	**642**	632	
74 Mortgage servicing rights (net of related tax liability)	**Not applicable**	Not applicable	
75 Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	**124,585**	120,772	
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital			
76 Provisions for excess loan loss actually provided under the Weighting Approach	**72,913**	66,766	
77 Provisions eligible for inclusion in Tier 2 capital excess loan loss under the Weighting Approach	**63,710**	59,680	
78 Provisions for loan loss actually provided under the Internal Ratings-Based Approach	**297,720**	266,187	
79 Provisions eligible for inclusion in Tier 2 capital excess loan loss under the Internal Ratings-Based Approach	**295,896**	253,237	
Capital instruments subject to phase-out arrangements			
80 Amount included in CET 1 capital due to phase-out arrangements	**–**	–	
81 Amount excluded from CET 1 capital due to phase-out arrangements	**–**	–	
82 Amount included in Additional Tier 1 capital due to phase-out arrangements	**–**	–	
83 Amount excluded from Additional Tier 1 capital due to phase-out arrangements	**–**	–	
84 Amount included in Tier 2 capital due to phase-out arrangements	**30,000**	45,000	
85 Amount excluded from Tier 2 capital due to phase-out arrangements	**70,000**	55,000	

VII. Main Features of Eligible Capital Instruments

As of 30 June 2020, the eligible capital instruments of the Bank included common stocks, preference shares, perpetual bonds, and Tier 2 capital bonds. On 15 July 2010, A Shares of the Bank were listed on the Shanghai Stock Exchange, and H Shares of the Bank were listed on the Hong Kong Stock Exchange on 16 July 2010. In November 2014 and March 2015, the Bank completed the issuance of a total of 800 million preference shares in two tranches, with RMB80 billion raised. All of the raised funds of preference shares after deducting issuance expenses are used to replenish Additional Tier 1 capital. In June 2018, the Bank conducted the private issuance of 25,188,916,873 A Shares, with RMB100 billion raised. All of the raised funds after deducting issuance expenses are used to replenish CET Tier 1 capital. In August and September 2019, the Bank completed the issuance of perpetual bonds in the total amount of RMB120 billion in two tranches. All of the raised funds after deducting issuance expenses are used to replenish Additional Tier 1 capital. In May 2020, the Bank completed the first tranche of perpetual bonds in the amount of RMB85 billion. All of the raised funds after deducting issuance expenses are used to replenish Additional Tier 1 capital.

During the period from 2009 to 2012, the Bank issued in aggregate subordinated bonds amounting to RMB150 billion in the PRC inter-bank bond market. Pursuant to the requirement of *Capital Rules for Commercial Banks (Provisional)*, since 2013, the amount of conventional subordinated bonds that can be included in regulatory capital shall be reduced year by year, and as of 30 June 2020, the amount that could be included in Tier 2 capital was RMB30 billion. The Bank issued Tier 2 capital bonds amounting to RMB80 billion in the PRC inter-bank bond market in two tranches in October 2017 and April 2018 respectively, and the raised funds after deducting issue expenses were all included into Tier 2 capital. Besides, the Bank successfully issued Tier 2 capital bonds amounting to RMB120 billion in the PRC inter-bank bond market in two tranches in March 2019 and April 2019 respectively, and the raised funds after deducting issue expenses were all included into Tier 2 capital. The Bank successfully issued Tier 2 capital bonds amounting to RMB40 billion in the PRC inter-bank bond market in May 2020, and the raised funds after deducting issue expenses were all included into Tier 2 capital.

The following tables set up the main features of eligible capital instruments of the Bank as of 30 June 2020.

	Main Features of Eligible Tier 1 Capital Instruments	Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288	360001 and 360009	1928021 and 1928023	2028017
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.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Capital Rules for Commercial Banks (Provisional)", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Capital Rules for Commercial Banks (Provisional)", 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	Additional Tier 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	Additional Tier 1 capital	Additional Tier 1 capital
6	of which: Eligible at the Bank/ the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Perpetual bonds	Perpetual bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	319,244	30,739	79,899	119,987	84,992
9	Par value	RMB1	RMB1	RMB100	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Equity	Equity
11	Original date of issuance	2010/07/15 and 2018/06/26	2010/07/16	2014/10/31 and 2015/03/06	2019/8/20 and 2019/9/5	2020/05/12
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior regulatory approval	No	No	No	No	No
15	Of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	–	–	–	–	–
16	Of which: Subsequent call dates, if applicable	–	–	–	–	–

	Main Features of Eligible Tier 1 Capital Instruments	Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
	Bonus or Dividends					
17	Of which: Fixed or floating dividends/bonus	Floating	Floating	The coupon rate of the preference shares shall be adjusted every five years. The dividends of the issued preference shares will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.
18	Of which: Coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	The coupon rate of the first dividend adjustment period of the first issuance of the preference shares is 6%. Coupon rate of the first dividend adjustment period of the second issuance of the preference shares is 5.5%.	The coupon rate of the first dividend adjustment period of the first issuance of the perpetual bond is 4.39%. Coupon rate of the first dividend adjustment period of the second issuance of the perpetual bond is 4.20%.	The coupon rate of the first dividend adjustment period of the first issuance of the perpetual bond is 3.48%.
19	Of which: Existence of a dividend stopper	No	No	Yes	Yes	Yes
20	Of which: Whether fully discretionary in cancellation of bonus or dividends	Full discretionary	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	Of which: Existence of step up or other incentives to redeem	No	No	No	No	No
22	Of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	Yes	No	No

Main Features of Eligible Tier 1 Capital Instruments						
		Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
24	of which: If convertible, specify conversion trigger(s)	–	–	(1) If the CET 1 capital adequacy ratio of the Bank decreased to 5.125% (or below), the preference shares issued will be fully or partially transferred to ordinary shares of A Shares, in order to make the CET 1 capital adequacy ratio resumed to above 5.125%. In case of partial conversion, 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 Shares in case of the earlier occurrence of the following two situations: 1) the CBIRC considers that the Bank could not survive in case no conversion will be carried out; 2) relevant authority considers that the Bank could not survive in case no capital injection from public departments or provision of support with the same effectiveness. If the Bank mandatorily transfers the preference shares issued to ordinary shares, it shall report to the CBIRC for investigation and making decision, and shall perform the obligations of disclosure of temporary reports and announcements in accordance with the *Securities Law* of the People's Republic of China and relevant requirements of the CSRC.	–	–
25	of which: If convertible, fully or partially	–	–	Fully or partially	–	–

	Main Features of Eligible Tier 1 Capital Instruments					
		Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
26	of which: If convertible, determine methods for conversion price	–	–	The initial conversion price of the issued preference shares shall be the average trading price of the ordinary shares of the A Shares of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan (i.e. RMB2.43 per share). After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares (excluding the ordinary shares that may be transformed from the convertible capital instruments issued by the Bank such as preference shares and convertible corporate bonds), conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events. The specific adjustment measures are as follows: In the event of issuing stock dividends or transforming 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);	–	–

Main Features of Eligible Tier 1 Capital Instruments					
	Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
			Among which: "P0" is the conversion price before the adjustment; "n" is the ratio of stock dividends or transforming 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 follow-on increases 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 increases 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 issued will not be adjusted according to the Bank's distribution of cash dividends on ordinary shares.		

Main Features of Eligible Tier 1 Capital Instruments						
		Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
				In 2018, the Bank conducted a private issue of ordinary shares of A shares to specified subscribers, with RMB100 billion raised. On the basis of the calculation of mandatory conversion price of the first and the second batch of preference shares according to the formula of adjustment as stated under the terms of prospectus in relation to issue of preference shares, the mandatory conversion price of the first and the second batch of preference shares issued by the Bank has been adjusted to RMB2.46 per share from RMB2.43 per share.		
27	of which: If convertible, mandatory conversion or not	–	–	Yes	–	–
28	of which: If convertible, specify instrument type convertible into	–	–	Ordinary Shares	–	–
29	of which: If convertible, specify issuer of instrument convertible into	–	–	Agricultural Bank of China Limited	–	–
30	Write-down feature	No	No	No	Yes	Yes

	Main Features of Eligible Tier 1 Capital Instruments	Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
31	of which: If write-down, specify write-down trigger(s)	–	–	–	Upon the occurrence of an Additional tier 1 capital instrument trigger event, namely the CET 1 capital adequacy ratio of the issuer decreased to 5.125% (or below), with the consent of the CBIRC and without the consent of the bondholders, the issuer has the right to write down all or part of the bonds issued and existing at that time in accordance with the total coupon value, in order to make the CET 1 capital adequacy ratio resumed to above 5.125%. In case of partial write-downs, all bonds issued and existing at that time will be written down in the same proportion as the issuer's other write-down Additional tier 1 capital instruments with the same conditions in accordance with the total coupon value. Before the total coupon value of the bonds issued is written down, the issuer may make one or more partial write-downs, in order to make the CET 1 capital adequacy ratio resumed to above 5.125%. (2) Upon the occurrence of a Tier 2 capital instrument trigger event, without the consent of the bondholders, the issuer has the right to write down all of the above bonds issued and existing at that time in accordance with the total coupon value.	Upon the occurrence of a Non-Viability Trigger Event, without the consent of the bondholders, the issuer has the right to write down part or all of the principal of the Bonds. The Bank shall write down the bonds in accordance with the proportion of its existing coupon value to the total existing coupon value of all additional tier 1 capital instruments with the identical trigger event. A Non-Viability Trigger Event means either of the following circumstances (whichever is earlier): (1) the CBIRC 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 the public department or provision of support with the same effectiveness. The write-down will not be restored.

Main Features of Eligible Tier 1 Capital Instruments		Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Perpetual Bonds	Perpetual Bonds
					Tier 2 capital instrument trigger event means either of the following circumstances (whichever is earlier): ① the CBIRC considers that the issuer could not survive if no write-down carried out; ② relevant authority considers that the issuer could not survive without capital injection from the public department or provision of support with the same effectiveness. When the principal of the bonds is written down, the bonds will be permanently cancelled and will not be restored under any conditions.	
32	of which: If write-down, full or partial	–	–	–	Full or partial	Full or partial
33	of which: If write-down, permanent or temporary	–	–	–	Permanent	Permanent
34	of which: If temporary write-down, describe write-up mechanism	–	–	–	–	–
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is pari passu with that of the issuer's other Tier 1 capital instruments. If the subsequent amendments to the *Law of the People's Republic of China on Enterprise Bankruptcy* or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail.	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is pari passu with that of the issuer's other Tier 1 capital instruments. If the subsequent amendments to the *Law of the People's Republic of China on Enterprise Bankruptcy* or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail.
36	Non-eligible transitioned features	No	No	No	No	No
37	of which: If yes, specify non-eligible features	–	–	–	–	–

Appendix I Capital Adequacy Ratio Information

		Main Features of Eligible Tier 2 Capital Instruments						
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	1728018	1828002	1928003	1928004	1928008	1928009	2028013
3	Governing laws	"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.	"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.	"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.	"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.	"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.	"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.	"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	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	of which: Application of *Capital Rules for Commercial Banks (Provisional)* post-transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	of which: Eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	39,971	39,971	9,998	49,990	19,996	39,993	39,993
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Liability	Liability	Liability	Liability	Liability	Liability	Liability
11	Original date of issuance	2017/10/17	2018/4/27	2019/3/19	2019/3/19	2019/4/11	2019/4/11	2020/5/06
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Of which: Original maturity date	2027/10/17	2028/4/27	2034/3/19	2029/3/19	2034/4/11	2029/4/11	2030/5/06
14	Issuer call subject to prior regulatory approval	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)
15	Of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	2022/10/17, redemption amount 40,000	2023/4/27, redemption amount 40,000	2029/3/19, redemption amount 10,000	2024/3/19, redemption amount 50,000	2029/4/11, redemption amount 20,000	2024/4/11, redemption amount 40,000	2025/5/06, redemption amount 40,000
16	Of which: Subsequent call dates, if applicable	–	–	–	–	–	–	–
	Bonus or Dividends							
17	Of which: Fixed or floating dividends/bonus	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Of which: coupon rate and any related index	4.45%	4.45%	4.53%	4.28%	4.63%	4.30%	3.10%
19	Of which: Existence of a dividend stopper	No	No	No	No	No	No	No
20	Of which: Whether fully discretionary in cancellation of bonus or dividends	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	No	No	No	No	No
24	of which: If convertible, specify conversion trigger(s)	–	–	–	–	–	–	–

		Main Features of Eligible Tier 2 Capital Instruments						
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
25	of which: If convertible, fully or partially	–	–	–	–	–	–	–
26	of which: If convertible, determine methods for conversion price	–	–	–	–	–	–	–
27	of which: If convertible, mandatory conversion or not	–	–	–	–	–	–	–
28	of which: If convertible, specify instrument type convertible into	–	–	–	–	–	–	–
29	of which: If convertible, specify issuer of instrument convertible into	–	–	–	–	–	–	–
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	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 CBIRC 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 the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC 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 the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC 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 the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC 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 the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC 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 the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC 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 the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC 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 the public department or provision of support with the same effectiveness.
32	of which: If write-down, full or partial	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial
33	of which: If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	of which: If temporary write-down, describe write-up mechanism	–	–	–	–	–	–	–
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument
36	Non-eligible transitioned features	No	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	–	–	–	–	–	–	–

Appendix II Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio in accordance with relevant regulations of the China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Liquidity Coverage Ratio

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

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk management of Commercial Banks* and applicable calculation requirements. The average of daily liquidity coverage ratio of the Bank was 141.7% in the second quarter of 2020, representing a decrease of 3.5 percentage points over the previous quarter, and 91 numerical values of liquidity coverage ratios were used in calculating such average. Our high-quality liquid assets mainly include cash, excess reserve with the central bank able to be withdrawn under stress conditions, and bonds falling within the Level 1 and Level 2 assets as defined in the *Rules on Liquidity Risk Management of Commercial Banks*.

Appendix II Liquidity Coverage Ratio Information

The averages of the daily liquidity coverage ratio and individual line items over the second quarter in 2020 are as follows:

In millions of RMB, except for percentages

Item		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		4,891,361
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	12,241,404	1,141,217
3	*Stable deposits*	1,658,437	82,920
4	*Less Stable deposits*	10,582,967	1,058,297
5	Unsecured wholesale funding, of which:	7,718,560	2,788,563
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	3,763,226	927,402
7	*Non-operational deposits (all counterparties)*	3,902,792	1,808,619
8	*Unsecured debt*	52,542	52,542
9	Secured wholesale funding		2,803
10	Additional requirements, of which:	2,905,503	833,003
11	*Outflows related to derivative exposures and other collateral requirements*	659,322	659,318
12	*Outflows related to loss of funding on debt products*	165	165
13	*Credit and liquidity facilities*	2,246,016	173,520
14	Other contractual funding obligations	134,082	134,082
15	Other contingent funding obligations	1,465,280	65,781
16	TOTAL CASH OUTFLOWS		4,965,449
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	697,030	697,030
18	Inflows from fully performing exposures	1,055,993	566,171
19	Other cash inflows	732,853	732,853
20	TOTAL CASH INFLOWS	2,485,876	1,996,054
			Total Adjusted Value
21	TOTAL HQLA		4,158,923
22	TOTAL NET CASH OUTFLOWS		2,969,395
23	LIQUIDITY COVERAGE RATIO (%)		141.7%

Appendix III Net Stable Funding Ratio Information

The Bank disclosed the following information of net stable funding ratio in accordance with relevant regulations of the China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Net Stable Funding Ratio

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

Net Stable Funding Ratio

The Bank calculated net stable funding ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. In the first quarter of 2020, the net stable funding ratio of the Bank decreased by 1.0 percentage point to 127.2% as compared to the previous quarter, with a weighted value of RMB18,346.3 billion for available stable funds and a weighted value of RMB14,427.7 billion for required stable funds. In the second quarter of 2020, the net stable funding ratio decreased by 2.5 percentage points to 124.7% as compared to the previous quarter, with a weighted value of RMB18,592.6 billion for available stable funds and a weighted value of RMB14,910.3 billion for required stable funds.

Appendix III Net Stable Funding Ratio Information

The net stable funding ratios of the first quarter of 2020 and the second quarter of 2020 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the First Quarter of 2020

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	<6 months	6 Months to < 1 year	≥1 year	
Available stable funding (ASF) item						
1	Capital	1,991,414	–	–	259,929	2,251,343
2	Regulatory capital	1,991,414	–	–	229,929	2,221,343
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	10,581,231	1,814,229	181	49	11,242,849
5	Stable deposits	1,734,461	–	–	–	1,647,738
6	Less stable deposits	8,846,770	1,814,229	181	49	9,595,111
7	Wholesale funding	6,862,324	1,902,491	947,247	324,784	4,654,233
8	Operational deposits	2,859,852	–	–	–	1,429,926
9	Other wholesale funding	4,002,472	1,902,491	947,247	324,784	3,224,307
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	22	1,609,661	140,218	149,882	197,839
12	NSFR derivative liabilities				22,152	–
13	All other liabilities and equity not included in the above categories	22	1,609,661	140,218	127,730	197,839
14	Total ASF					18,346,264
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					925,533
16	Deposits held at other financial institutions for operational purpose	6,054	298,304	84,267	–	194,312
17	Performing loans and securities	2,656	3,872,832	2,378,405	9,716,934	10,928,423
18	Performing loans to financial institutions secured by Level 1 HQLA	–	885	496	188,357	188,737
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	529	1,331,294	189,880	54,798	349,535
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	42	2,374,571	2,035,445	5,058,611	6,475,290

Appendix III Net Stable Funding Ratio Information

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	<6 months	6 Months to < 1 year	≥1 year	
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	8	581,880	79,965	167,558	432,865
22	Performing residential mortgages, of which:	–	94,207	96,689	4,107,010	3,586,390
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	3	3	83	57
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,085	71,875	55,895	308,158	328,471
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	164,710	671,323	645,133	867,330	2,194,469
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				4,359	3,705
29	NSFR derivative assets				25,789	3,636
30	NSFR derivative liabilities before deduction of variation margin posted[1]				7,128	7,128
31	All other assets not included in the above categories	164,710	671,323	645,133	837,182	2,180,000
32	Off-balance sheet items				3,849,864	184,976
33	Total RSF					14,427,713
34	Net stable funding ratio (%)					127.2%

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

Appendix III Net Stable Funding Ratio Information

Net Stable Funding Ratio of the Second Quarter of 2020

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	<6 months	6 Months to < 1 year	≥1 year	
Available stable funding (ASF) item						
1	Capital	2,051,435	–	–	299,912	2,351,347
2	Regulatory capital	2,051,435	–	–	269,912	2,321,347
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	6,625,152	6,098,082	134	92	11,540,934
5	Stable deposits	1,796,205	–	–	–	1,706,395
6	Less stable deposits	4,828,947	6,098,082	134	92	9,834,539
7	Wholesale funding	5,347,796	3,401,271	432,168	510,023	4,490,393
8	Operational deposits	2,622,262	–	–	–	1,311,131
9	Other wholesale funding	2,725,534	3,401,271	432,168	510,023	3,179,262
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	6	1,763,211	145,609	162,429	209,886
12	NSFR derivative liabilities				25,347	–
13	All other liabilities and equity not included in the above categories	6	1,763,211	145,609	137,082	209,886
14	Total ASF					18,592,560
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					752,777
16	Deposits held at other financial institutions for operational purpose	90	194,036	245,588	–	219,857
17	Performing loans and securities	3,680	2,976,753	2,535,130	9,919,154	10,836,674
18	Performing loans to financial institutions secured by Level 1 HQLA	–	2,303	338	165,984	166,499
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	902	999,791	189,860	54,204	299,754
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	653	1,821,846	2,189,155	5,140,054	6,338,541
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	4	65,932	56,610	164,633	162,582

Appendix III Net Stable Funding Ratio Information

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	<6 months	6 Months to < 1 year	≥1 year	
22	Performing residential mortgages, of which:	–	96,036	98,147	4,222,580	3,686,270
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	3	3	86	61
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,125	56,777	57,630	336,332	345,610
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	153,150	766,388	835,169	1,250,502	2,906,901
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				5,948	5,056
29	NSFR derivative assets				21,463	–
30	NSFR derivative liabilities before deduction of variation margin posted[1]				7,528	7,528
31	All other assets not included in the above categories	153,150	766,388	835,169	1,223,091	2,894,317
32	Off-balance sheet items				4,040,059	194,084
33	Total RSF					14,910,293
34	Net stable funding ratio (%)					124.7%

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

Appendix IV Leverage Ratio Information

As at 30 June 2020, the Bank's leverage ratio, calculated in accordance with the *Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* issued by the CBIRC, was 7.17%, higher than the regulatory requirement.

In millions of RMB, except for percentages

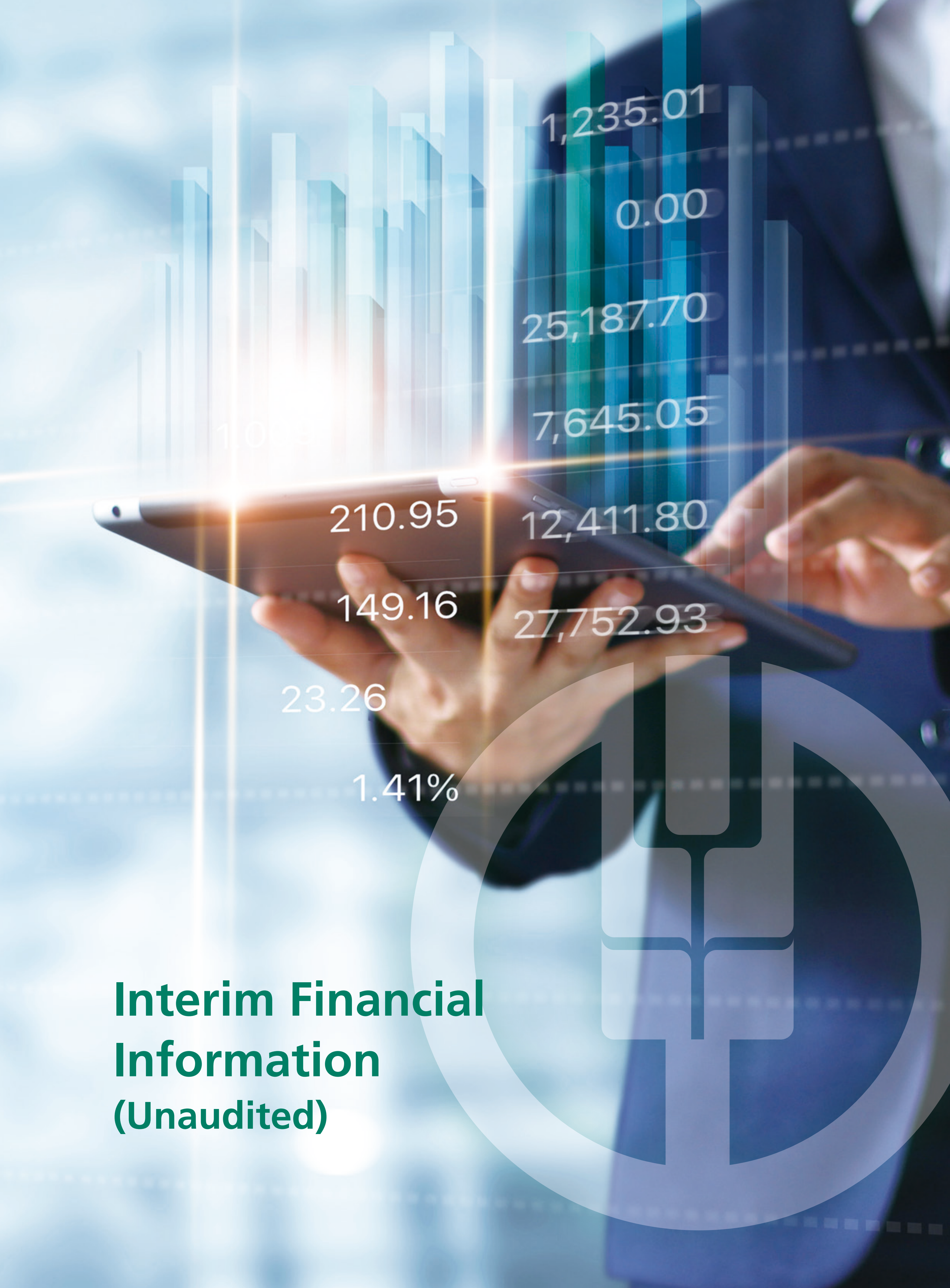
Item	**30 June 2020**	31 March 2020	31 December 2019	30 September 2019
Tier 1 capital, net	**2,073,819**	2,013,406	1,940,478	1,910,079
Adjusted on-and off-balance sheet assets	**28,933,349**	28,863,234	27,369,508	27,202,211
Leverage ratio	**7.17%**	6.98%	7.09%	7.02%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	26,472,127
2	Adjustment for consolidation	(76,701)
3	Adjustment for clients' assets	–
4	Adjustment for derivatives	28,863
5	Adjustment for securities financing transactions	468
6	Adjustment for off-balance sheet items	2,516,459
7	Other adjustments	(7,867)
8	**Adjusted on-and off-balance sheet assets**	**28,933,349**

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	25,723,691
2	Less: Deductions from Tier 1 capital	(7,867)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	**25,715,824**
4	Replacement cost of all derivatives (net of eligible margin)	21,118
5	Potential risk exposure of all derivatives	29,260
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	(1,108)
8	Less: Derivative assets resulting from transactions with the central counterparty when providing clearance services to client	–
9	Notional principal amount of written credit derivatives	20
10	Less: Deductible amounts of written credit derivative assets	–
11	**Derivative assets**	**49,290**
12	Securities financing transaction assets for accounting purpose	651,308
13	Less: Deductible amounts of securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction	468
15	Securities financing transaction assets resulting from agent transaction	–
16	**Securities financing transaction assets**	**651,776**
17	Off-balance sheet items	5,726,658
18	Less: Adjustments for conversion to credit equivalent amounts	(3,210,199)
19	**Adjusted off-balance sheet items**	**2,516,459**
20	Tier 1 capital, net	2,073,819
21	Adjusted on-and off-balance sheet assets	28,933,349
22	**Leverage ratio**	**7.17%**



Interim Financial Information

(Unaudited)

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 127 to 257, 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 2020 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2020

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Interest income	6	**450,319**	421,570
Interest expense	6	**(191,422)**	(183,938)
Net interest income	6	**258,897**	237,632
Fee and commission income	7	**59,796**	57,296
Fee and commission expense	7	**(7,446)**	(6,397)
Net fee and commission income	7	**52,350**	50,899
Net trading gain	8	**7,388**	12,231
Net (loss)/gain on financial investments	9	**(3,791)**	1,080
Other operating income	10	**24,930**	22,625
Operating income		**339,774**	324,467
Operating expenses	11	**(108,043)**	(105,153)
Credit impairment losses	12	**(99,123)**	(73,475)
Impairment losses on other assets		**(51)**	48
Operating profit		**132,557**	145,887
Share of result of associates and joint ventures		**(2)**	(25)
Profit before tax		**132,555**	145,862
Income tax expense	13	**(23,365)**	(23,490)
Profit for the period		**109,190**	122,372
Attributable to:			
Equity holders of the Bank		**108,834**	121,445
Non-controlling interests		**356**	927
		109,190	122,372
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share) — Basic and diluted	15	**0.30**	0.34

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the period	**109,190**	122,372
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on financial assets at fair value through other comprehensive income	**1,980**	1,784
Loss allowance on financial assets at fair value through other comprehensive income	**5,006**	3,097
Income tax impact for fair value changes and loss allowance on financial assets at fair value through other comprehensive income	**(1,596)**	(1,194)
Foreign currency translation differences	**566**	153
Subtotal	**5,956**	3,840
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	**16**	266
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**(4)**	(68)
Subtotal	**12**	198
Other comprehensive income, net of tax	**5,968**	4,038
Total comprehensive income for the period	**115,158**	126,410
Total comprehensive income attributable to:		
Equity holders of the Bank	**114,642**	125,435
Non-controlling interests	**516**	975
	115,158	126,410

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Assets			
Cash and balances with central banks	16	**2,372,116**	2,699,895
Deposits with banks and other financial institutions	17	**449,156**	235,742
Precious metals		**170,527**	30,063
Placements with and loans to banks and other financial institutions	18	**525,012**	523,183
Derivative financial assets	19	**20,427**	24,944
Financial assets held under resale agreements	20	**650,799**	708,551
Loans and advances to customers	21	**13,956,264**	12,819,610
Financial investments	22		
Financial assets at fair value through profit or loss		**865,079**	801,361
Debt instrument investments at amortized cost		**5,170,218**	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income		**1,812,533**	1,674,828
Investment in associates and joint ventures	23	**7,557**	6,672
Property and equipment	24	**148,248**	152,484
Goodwill		**1,381**	1,381
Deferred tax assets	25	**124,778**	120,952
Other assets	26	**198,032**	131,881
Total assets		**26,472,127**	24,878,288
Liabilities			
Borrowings from central banks	27	**635,743**	608,536
Deposits from banks and other financial institutions	28	**1,285,207**	1,503,909
Placements from banks and other financial institutions	29	**344,468**	325,363
Financial liabilities at fair value through profit or loss	30	**42,757**	24,333
Derivative financial liabilities	19	**32,894**	29,548
Financial assets sold under repurchase agreements	31	**31,020**	53,197
Due to customers	32	**20,363,098**	18,849,155
Dividends payable	14	**63,662**	–
Debt securities issued	33	**1,137,927**	1,108,212
Deferred tax liabilities	25	**420**	520
Other liabilities	34	**441,922**	415,753
Total liabilities		**24,379,118**	22,918,526

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Equity			
Ordinary shares	35	**349,983**	349,983
Other equity instruments	36	**284,878**	199,886
Preference shares		**79,899**	79,899
Perpetual bonds		**204,979**	119,987
Capital reserve	37	**173,556**	173,556
Investment revaluation reserve	38	**34,926**	29,684
Surplus reserve	39	**175,016**	174,910
General reserve	40	**311,825**	277,016
Retained earnings		**749,158**	741,101
Foreign currency translation reserve		**2,785**	2,219
Equity attributable to equity holders of the Bank		**2,082,127**	1,948,355
Non-controlling interests		**10,882**	11,407
Total equity		**2,093,009**	1,959,762
Total equity and liabilities		**26,472,127**	24,878,288

The accompanying notes form an integral part of this interim financial information.

Approved and authorized for issue by the Board of Directors on 28 August 2020.

Chairman

Executive Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2020
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes	Ordinary shares	Other equity investments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 31 December 2019 (Audited)		**349,983**	**199,886**	**173,556**	**29,684**	**174,910**	**277,016**	**741,101**	**2,219**	**1,948,355**	**11,407**	**1,959,762**
Profit for the period		–	–	–	–	–	–	**108,834**	–	**108,834**	**356**	**109,190**
Other comprehensive income		–	–	–	**5,242**	–	–	–	**566**	**5,808**	**160**	**5,968**
Total comprehensive income for the period		–	–	–	**5,242**	–	–	**108,834**	**566**	**114,642**	**516**	**115,158**
Capital contribution from other equity instrument holders	36	–	**84,992**	–	–	–	–	–	–	**84,992**	–	**84,992**
Capital distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	**(928)**	**(928)**
Appropriation to surplus reserve	39	–	–	–	–	**106**	–	**(106)**	–	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	**34,809**	**(34,809)**	–	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	**(63,662)**	–	**(63,662)**	–	**(63,662)**
Dividends paid to preference shareholders	14	–	–	–	–	–	–	**(2,200)**	–	**(2,200)**	–	**(2,200)**
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	**(113)**	**(113)**
As at 30 June 2020 (Unaudited)		**349,983**	**284,878**	**173,556**	**34,926**	**175,016**	**311,825**	**749,158**	**2,785**	**2,082,127**	**10,882**	**2,093,009**
As at 31 December 2018 (Audited)		349,983	79,899	173,556	18,992	154,257	239,190	652,944	1,473	1,670,294	4,493	1,674,787
Profit for the period		–	–	–	–	–	–	121,445	–	121,445	927	122,372
Other comprehensive income		–	–	–	3,837	–	–	–	153	3,990	48	4,038
Total comprehensive income for the period		–	–	–	3,837	–	–	121,445	153	125,435	975	126,410
Appropriation to surplus reserve	39	–	–	–	–	41	–	(41)	–	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	37,890	(37,890)	–	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	(60,862)	–	(60,862)	–	(60,862)
Dividends paid to preference shareholders	14	–	–	–	–	–	–	(2,200)	–	(2,200)	–	(2,200)
As at 30 June 2019 (Unaudited)		349,983	79,899	173,556	22,829	154,298	277,080	673,396	1,626	1,732,667	5,468	1,738,135
Profit for the period		–	–	–	–	–	–	90,653	–	90,653	(101)	90,552
Other comprehensive income		–	–	–	6,855	–	–	–	593	7,448	215	7,663
Total comprehensive income		–	–	–	6,855	–	–	90,653	593	98,101	114	98,215
Capital contribution from equity holder	36	–	119,987	–	–	–	–	–	–	119,987	5,825	125,812
Appropriation to surplus reserve	39	–	–	–	–	20,612	–	(20,612)	–	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	(64)	64	–	–	–	–
Dividends paid to preference shareholders		–	–	–	–	–	–	(2,400)	–	(2,400)	–	(2,400)
As at 31 December 2019 (Audited)		349,983	199,886	173,556	29,684	174,910	277,016	741,101	2,219	1,948,355	11,407	1,959,762

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**132,555**	145,862
Adjustments for:		
Amortization of intangible assets and other assets	**984**	901
Depreciation of property, equipment and right-of-use assets	**8,473**	8,287
Credit impairment losses	**99,123**	73,475
Impairment losses on other assets	**51**	(48)
Interest income arising from investment securities	**(116,197)**	(114,046)
Interest expense on debt securities issued	**17,579**	14,524
Revaluation gain on financial instruments at fair value through profit or loss	**(10,846)**	(8,779)
Net gain on investment securities	**(451)**	(247)
Share of result of associates and joint ventures	**2**	25
Net gain on disposal of property, equipment and other assets	**(456)**	(310)
Net foreign exchange gain	**(3,004)**	(1,443)
	127,813	118,201
Net change in operating assets and operating liabilities:		
Net (increase)/decrease in balances with central banks, deposits with banks and other financial institutions	**(253,316)**	110,749
Net decrease/(increase) in placements with and loans to banks and other financial institutions	**30,389**	(28,532)
Net increase in financial assets held under resale agreements	**(82,343)**	(15,239)
Net increase in loans and advances to customers	**(1,193,584)**	(1,060,317)
Net increase/(decrease) in borrowings from central banks	**21,008**	(91,418)
Net increase in placements from banks and other financial institutions	**19,276**	22,725
Net increase in due to customers and deposits from banks and other financial institutions	**1,291,958**	1,271,119
Increase in other operating assets	**(294,664)**	(268,301)
Increase/(Decrease) in other operating liabilities	**70,502**	(14,375)
Cash (used in)/from operations	**(262,961)**	44,612
Income tax paid	**(60,985)**	(55,124)
NET CASH USED IN OPERATING ACTIVITIES	**(323,946)**	(10,512)

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		**990,336**	822,515
Cash received from interest income arising from investment securities		**114,839**	112,815
Cash received from disposal of property, equipment and other assets		**1,329**	845
Cash paid for purchase of investment securities		**(1,338,582)**	(1,191,316)
Increase in investment in associates and joint ventures		**(888)**	(1,016)
Cash paid for purchase of property, equipment and other assets		**(5,113)**	(3,819)
NET CASH USED IN INVESTING ACTIVITIES		**(238,079)**	(259,976)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from issues of other equity instruments		**85,000**	–
Cash payments for transaction cost of other equity instruments issued		**(8)**	–
Cash received from debt securities issued		**586,947**	580,723
Repayments of debt securities issued		**(555,825)**	(449,830)
Cash payments for interest on debt securities issued		**(20,376)**	(13,148)
Cash payments for transaction cost of debt securities issued		**(6)**	(24)
Cash payments for principal portion and interest portion of the lease liability		**(2,213)**	(1,898)
Capital distribution to non-controlling interests		**(928)**	–
Dividends paid to ordinary shareholders		**–**	(60,095)
Dividends paid to preference shareholders		**(2,200)**	(2,200)
Dividends paid to non-controlling interests		**(113)**	–
NET CASH FROM FINANCING ACTIVITIES		**90,278**	53,528
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(471,747)**	(216,960)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**1,454,581**	978,441
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**3,045**	568
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	41	**985,879**	762,049
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**310,677**	281,609
Interest paid		**(167,548)**	(155,871)

The accompanying notes form an integral part of this interim financial information.

1 GENERAL INFORMATION

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

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking and Insurance Regulatory Commission (the former "China Banking and Regulatory Commission, CBRC" and "China Insurance Regulatory Commission, CIRC", the "CBIRC"), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

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

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

2 BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial information have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies and methods of computation used in preparing the interim financial information are the same as those followed in the preparation of the Group's annual financial information for the year ended 31 December 2019.

The interim financial information should be read in conjunction with the Group's annual financial information for the year ended 31 December 2019, which have been audited.

3.1 Standards and amendments effective in 2020 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period.

(1)	Amendments to IAS 1 and IAS 8	(i)	The Definition of Material
(2)	Amendments to IFRS 3	(i)	The Definition of A Business
(3)	Amendments to IFRS 9, IAS 39 and IFRS 7	(i)	Interest rate benchmark reform
(4)	Amendment to IFRS 16	(ii)	Covid-19-Related Rent Concessions

(i) Descriptions of these standards and amendments were disclosed in the Group's annual financial information for the year ended 31 December 2019. The adoption of these standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(ii) Amendment to IFRS 16: Covid-19-Related Rent Concessions

On 28 May 2020, the IASB issued amendments to IFRS 16: Covid-19-Related Rent Concessions that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendments are mandatory for annual reporting periods beginning on or after 1 June 2020, earlier application is permitted. The adoption of the amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

The Group has not adopted the following new or amended standards and interpretations issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

				Effective for annual periods beginning on or after
(1)	Amendments to IAS 1	(i)	Amended by Classification of Liabilities as Current or Non-current	1 January 2022
(2)	Amendments to IFRS 3	(ii)	Reference to the Conceptual Framework	1 January 2022
(3)	Amendments to IAS 37	(iii)	Cost of Fulfilling a Contract	1 January 2022
(4)	Amendments to IAS 16	(iv)	Proceeds before Intended Use	1 January 2022
(5)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	(v)	IASB Annual Improvements 2018–2020 cycle	1 January 2022
(6)	IFRS 17	(vi)	Insurance Contracts	1 January 2023
(7)	Amendments to IFRS 10 and IAS 28	(i)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

(i) Descriptions of these standards and amendments were disclosed in the Group's annual financial information for the year ended 31 December 2019. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's financial information.

(ii) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, "Business combinations", to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's financial information.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(iii) Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of "costs to fulfil a contract", they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's financial information.

(iv) Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's financial information.

(v) Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018-2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, "Leases", subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's financial information.

(vi) Descriptions of the standard was disclosed in the Group's annual financial information for the year ended 31 December 2019. The Group has not completed its assessment of the impact on the Group's operating results and financial position of adopting IFRS 17.

(Amounts in millions of Renminbi, unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of interim financial information 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 this interim financial information, 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 financial information for the year ended 31 December 2019.

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

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Group as at 30 June 2020:

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,000	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company	(ii)	24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(iii)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.		1 August 2017	Beijing, PRC	RMB10,000,000,000	100.00	100.00	Debt-to-equity swap and related services
Agricultural Bank of China Wealth Management Co., Ltd.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth Management

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

(1) Investment in subsidiaries (Continued)

For the six months ended 30 June 2020, there were no changes in the proportion of equity interest or voting rights the Group held in its subsidiaries.

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

(ii) *ABC Xiamen Tong'an Rural Bank Limited Liability Company increased paid-in capital of RMB50 million from retained earnings, the proportion of equity interest and voting rights the Group held remained at 51%.*

(iii) *On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). The Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Group and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Group held in ABC Life Insurance remained at 51%.*

As at 30 June 2020, there was no objective evidence noted for any goodwill impairment and no impairment loss was recognized.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(2) Investment in associates

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Beijing Guofa Aero Engine Industry Investment Fund Center LP	(ii)	2018	Beijing, PRC	RMB4,325,200,000	22.89	20.00	Non Securities equity investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center LP	(ii)	2019	Jilin, PRC	RMB3,331,500,000	29.46	20.00	Non Securities equity investment activities and related advisory services
Shenzhen Yuanzhifuhai No. 6 Investment Partnership LP	(ii)	2020	Guangdong,PRC	RMB1,075,000,000	9.30	20.00	Equity Investment, investment Management and investment advisory service

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(3) Investment in joint ventures

Name of entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Jiangsu Jiequan ABC State-owned Enterprise Mixed Ownership Reform Fund LP	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, Debt-to-Equity and related supporting services
ABC Gaotou (Hubei) Debt-to-Equity Investment Fund LP	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non Securities equity investment activities and related advisory services
Suida (Jiaxing) Investment LP	2018	Zhejiang, PRC	RMB1,200,000,000	41.71	40.00	Industrial Investment
ABC New Silk Road (Jiaxing) Investment Fund LP	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Shenzhen Zhaoping Suida Investment Center LP	2018	Guangdong, PRC	RMB400,000,000	50.00	40.00	Industrial investment and investment advisory
Zhejiang New Power Fund LP	2018	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Industrial investment and equity investment
Chengdu Chuanneng Lithium Energy Equity Investment Fund LP	2018	Sichuan, PRC	RMB2,520,000,000	30.16	28.57	Non-publicly traded equity investments and related advisory services
Yiwu Emerging Power Equity Investment Fund Partnership LP	2019	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, debt-to-equity swap and supporting business
Shanghai Guohua Oil & Gas Equity Investment Fund, Ltd.	2019	Shanghai, PRC	RMB1,800,000,000	66.67	50.00	Equity investment, Debt-to-Equity and related supporting services
Nongyizihuan (Jiaxing) Equity Investment Partnership LP	2019	Zhejiang, PRC	RMB400,000,000	70.00	50.00	Investment and investment management
Inner Mongolia Mengxingzhuli Development Fund Investment Center LP	2019	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity Investment, investment Management and investment advisory service
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund LP	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity Investment and investment management
Shanxi Nongying Holding Equity Investment Fund Partnership LP	2020	Shanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity Investment
Shenzhen CIMC Nongyin Shuren Investment Partnership LP	2020	Guangdong, PRC	RMB1,601,000,000	49.97	33.33	Venture capital business

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

(4) Structured entities

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

(Amounts in millions of Renminbi, unless otherwise stated)

6 NET INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income		
Loans and advances to customers	**302,123**	274,879
Including: Corporate loans and advances	**170,013**	160,035
Personal loans and advances	**127,106**	109,080
Discounted bills	**5,004**	5,764
Financial investments		
Debt instrument investments at amortized cost	**89,302**	83,285
Other debt instrument investments at fair value through other comprehensive income	**26,895**	30,761
Balances with central banks	**16,970**	17,637
Placements with and loans to banks and other financial institutions	**5,234**	7,106
Financial assets held under resale agreements	**6,537**	6,502
Deposits with banks and other financial institutions	**3,258**	1,400
Subtotal	**450,319**	421,570
Interest expense		
Due to customers	**(137,981)**	(138,874)
Deposits from banks and other financial institutions	**(21,207)**	(17,206)
Debt securities issued	**(17,579)**	(14,524)
Borrowings from central banks	**(10,689)**	(7,696)
Placements from banks and other financial institutions	**(3,554)**	(4,810)
Financial assets sold under repurchase agreements	**(412)**	(828)
Subtotal	**(191,422)**	(183,938)
Net interest income	**258,897**	237,632

(Amounts in millions of Renminbi, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
Fee and commission income		
Bank cards	**15,643**	14,289
Electronic banking services	**12,498**	12,870
Agency services	**12,314**	12,384
Consultancy and advisory services	**7,966**	7,453
Settlement and clearing services	**6,933**	6,721
Custodian and other fiduciary	**3,043**	2,250
Credit commitment	**1,062**	1,112
Others	**337**	217
Subtotal	**59,796**	57,296
Fee and commission expense		
Bank cards	**(4,840)**	(3,886)
Electronic banking services	**(1,357)**	(1,260)
Settlement and clearing services	**(674)**	(883)
Others	**(575)**	(368)
Subtotal	**(7,446)**	(6,397)
Net fee and commission income	**52,350**	50,899

8 NET TRADING GAIN

		Six months ended 30 June	
		2020	2019
Net gain on debt instruments held for trading		**5,950**	8,279
Net gain on precious metals	(1)	**4,265**	2,302
Net loss on foreign exchange rate derivatives		**(3,874)**	(1,075)
Net loss on interest rate derivatives		**(3,767)**	(1,512)
Others		**4,814**	4,237
Total		**7,388**	12,231

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

(Amounts in millions of Renminbi, unless otherwise stated)

9 NET (LOSS)/GAIN ON FINANCIAL INVESTMENTS

		Six months ended 30 June	
		2020	2019
Net (loss)/gain on underlying assets and liabilities related to principal guaranteed wealth management products designated as at FVPL		**(592)**	415
Net gain on debt instruments designated as at FVPL		**138**	86
Net gain on other debt instruments measured at FVPL		**1,913**	338
Net loss on financial liabilities designated as at FVPL	(1)	**(5,625)**	–
Net gain on debt instruments measured at FVOCI		**445**	227
Others		**(70)**	14
Total		**(3,791)**	1,080

(1) *Net loss on financial liabilities designed as at FVPL consists of the amount paid upon the maturity of structured deposits measured at FVPL.*

10 OTHER OPERATING INCOME

	Six months ended 30 June	
	2020	2019
Insurance premium	**20,273**	18,806
Net gain on foreign exchange	**2,800**	1,729
Rental income	**491**	392
Gain on disposal of property and equipment	**483**	290
Government grant	**245**	553
Others	**638**	855
Total	**24,930**	22,625

11 OPERATING EXPENSES

		Six months ended 30 June	
		2020	2019
Staff costs	(1)	**57,413**	58,397
Insurance benefits and claims		**20,538**	18,059
General operating and administrative expenses		**16,686**	15,628
Depreciation and amortization		**9,457**	9,188
Tax and surcharges	(2)	**2,695**	2,753
Others		**1,254**	1,128
Total		**108,043**	105,153

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES (Continued)

(1) Staff costs

	Six months ended 30 June	
	2020	2019
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	**38,878**	38,936
Housing funds	**4,285**	4,148
Social insurance	**2,066**	2,737
Including: Medical insurance	**1,907**	2,455
Maternity insurance	**104**	209
Employment injury insurance	**55**	73
Labor union fees and staff education expenses	**1,728**	1,721
Others	**3,816**	3,145
Subtotal	**50,773**	50,687
Defined contribution benefits	**6,804**	7,763
Early retirement benefits	**(164)**	(53)
Total	**57,413**	58,397

(2) From 1 May 2016, the Group is subject to value-added taxes on its income from credit business, fee income on financial services, income from insurance business and trading of financial products at 6%.

Pursuant to the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs" (Cai Shui [2016] No. 46), the Bank elected to adopt a simplified methodology to calculate value-added taxes at 3% on interest income derived from loans granted to farming households, rural enterprises and other rural institutions by county-level sub-branches included in the Bank's pilot programs of the Sannong Finance Division, including those under the Bank's provincial branches in provinces, autonomous regions, municipalities directly under the central government and municipalities with independent budgetary status as well as those under the Xinjiang Production and Construction Corps Branch.

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

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT for the Group's Domestic Operations.

12 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2020	2019
Loans and advances to customers	**81,782**	71,418
Financial investments		
Debt instrument investments at amortized cost	**1,774**	66
Other debt instruments investments at fair value through other comprehensive income	**2,498**	841
Provision for guarantees and commitments	**7,263**	643
Placements with and loans to banks and other financial institutions	**4,159**	(114)
Deposits with banks and other financial institutions	**1,107**	760
Financial assets held under resale agreements	**193**	(250)
Others	**347**	111
Total	**99,123**	73,475

(Amounts in millions of Renminbi, unless otherwise stated)

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
Current income tax		
— PRC Enterprise Income Tax	**27,501**	35,063
— Hong Kong Profits Tax	**224**	285
— Other jurisdictions	**52**	90
Subtotal	**27,777**	35,438
Deferred tax (Note 25)	**(4,412)**	(11,948)
Total	**23,365**	23,490

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

The tax charges for the six months ended 30 June 2020 and 30 June 2019 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

		Six months ended 30 June	
		2020	2019
Profit before tax		**132,555**	145,862
Tax calculated at applicable PRC statutory tax rate of 25%		**33,139**	36,466
Tax effect of income not taxable for tax purpose	(1)	**(17,518)**	(15,303)
Tax effect of costs, expenses and losses not deductible for tax purpose		**7,747**	2,375
Effect of different tax rates in other jurisdictions		**(3)**	(48)
Income tax expense		**23,365**	23,490

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

(Amounts in millions of Renminbi, unless otherwise stated)

14 DIVIDENDS

		Six months ended 30 June	
		2020	2019
Dividends on ordinary shares declared			
Cash dividend related to 2019	(1)	**63,662**	–
Cash dividend related to 2018	(2)	**–**	60,862
		63,662	60,862
Dividends on preference shares declared and paid	(4)	**2,200**	2,200

(1) *Distribution of final dividend for 2019*

A cash dividend of RMB0.1819 per ordinary share related to 2019, amounting to RMB63,662 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2019 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 2020.

The dividend unpaid was recognized as dividends payable as at 30 June 2020 and paid in July 2020.

(2) *Distribution of final dividend for 2018*

A cash dividend of RMB0.1739 per ordinary share related to 2018, amounting to RMB60,862 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2018 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 30 May 2019.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2019.

(3) *No dividends on ordinary shares related to the period from 1 January 2020 to 30 June 2020 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2020.*

(4) *Distribution of dividend on preference shares for 2020*

A cash dividend at the dividend rate of 5.5% per annum related to the second tranche of preference shares amounting to RMB2,200 million in total was approved at the Board of Directors' Meeting held on 10 January 2020 and distributed on 11 March 2020.

Distribution of dividend on preference shares for 2019

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

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

15 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
Earnings:		
Profit for the period attributable to equity holders of the Bank	**108,834**	121,445
Less: profit for the period attributable to preference shareholders of the Bank	**(2,200)**	(2,200)
Profit for the period attributable to ordinary equity holders of the Bank	**106,634**	119,245
Number of shares:		
Weighted average number of ordinary shares in issue (In millions)	**349,983**	349,983
Basic and diluted earnings per share (RMB yuan)	**0.30**	0.34

For the years ended 31 December 2015 and 31 December 2014, the Bank issued non-cumulative preference shares, respectively, and the specific terms are included in Note 36 Other equity instruments.

For the six months ended 30 June 2020, the Bank issued non-cumulative undated tier 1 capital bonds, and the specific terms are included in Note 36 Other equity instruments. The Bank has not declared any distribution for the six months ended 30 June 2020.

For the purpose of calculating basic earnings per share for the six months ended 30 June 2020, cash dividends of RMB2,200 million of non-cumulative preference shares declared and distributed was deducted from the profit for the period attributable to equity holders of the Bank (Six months ended 30 June 2019: RMB2,200 million).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2020 and 30 June 2019, therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

(Amounts in millions of Renminbi, unless otherwise stated)

16 CASH AND BALANCES WITH CENTRAL BANKS

		30 June 2020	31 December 2019
Cash		**83,032**	92,928
Reserve deposits with central banks	(1)	**2,047,166**	2,412,299
Other deposits with central banks	(2)	**240,996**	193,631
Subtotal		**2,371,194**	2,698,858
Accrued interest		**922**	1,037
Total		**2,372,116**	2,699,895

(1) Reserve deposits with central banks include mandatory reserve deposits and surplus reserve deposits.

The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits. According to the requirements of "Notice on Reducing Deposit Reserve Ratio for Financial Institutions issued by the People's Bank of China"(Yinfa [2020] No. 1), RMB deposit reserve ratio for financial institutions is reduced by 0.5% on 6 January 2020.

For Domestic Operations of the Bank which meet the requirements of "Notice on Performance Appraisal Results Of the Sannong Banking Operations of Agricultural Bank of China Limited for 2020 issued by the People's Bank of China" (Yinbanfa [2020] No. 39), effective 25 March 2020 and "Notice on Performance Appraisal Results Of the Sannong Banking Operations in Hubei province of Agricultural Bank of China Limited for 2020 issued by the People's Bank of China"(Yinbanfa [2020] No. 58), effective 6 May 2020, RMB mandatory reserve deposits with the PBOC are based on 9.0% of qualified RMB deposits (31 December 2019: 9.5%). For the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits are based on 11.0% of qualified RMB deposits (31 December 2019: 11.5%). For the overseas participating banks and clearing banks with eligible RMB deposits, RMB mandatory reserve deposits are based on 11.0% of qualified RMB deposits (31 December 2019: 11.5%). Foreign currency mandatory reserve deposits are based on 5% (31 December 2019: 5%) of qualified foreign currency deposits from customers. Mandatory reserve deposits placed by the Bank's Overseas Operations are determined based on respective overseas regulatory requirements. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

As at 30 June 2020, mandatory reserve deposits with central banks were amounting to RMB2,066,418 million (31 December 2019: RMB2,018,692 million).

Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits, which are mainly for the purpose of clearing. The PBOC allows financial institutions to have overdraft in a single day, with the quota of 1% of average daily balance of general deposits in every ten days of a month. As at 30 June 2020, surplus reserve deposits with central banks were amounting to RMB -19,252 million (31 December 2019: RMB393,607 million), which meets the relevant requirements of the PBOC.

(2) Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations. Fiscal deposits are non-interest bearing from government, and the interest rate for foreign exchange risk reserve is currently set at zero. The foreign exchange risk reserve is maintained with the PBOC in accordance with the "Notice on Reinforcing the Macro Prudential Management of Foreign Exchange Transactions" (Yinfa [2015] No. 273) issued by the PBOC on 31 August 2015. From 6 August 2018, the foreign exchange risk reserve rate was adjusted to 20% according to the "Notice on Adjustment of Foreign Exchange Risk Reserves Policy" (Yinfa [2018] No. 190) issued by PBOC on 3 August 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Deposits with:		
Domestic banks	**390,777**	185,905
Other domestic financial institutions	**20,724**	14,292
Overseas banks	**38,124**	34,493
Gross carrying amount	**449,625**	234,690
Accrued interest	**1,710**	2,118
Allowance for impairment losses	**(2,179)**	(1,066)
Deposits with Banks and other financial institutions, net	**449,156**	235,742

As at 30 June 2020, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB21,470 million (31 December 2019: RMB14,670 million). These deposits were mainly security deposits pledged with clearing house and exchanges.

18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Placements with and loans to:		
Domestic banks	**294,512**	162,772
Other domestic financial institutions	**126,099**	252,498
Overseas banks and other financial institutions	**107,805**	106,047
Gross carrying amount	**528,416**	521,317
Accrued interest	**2,190**	3,289
Allowance for impairment losses	**(5,594)**	(1,423)
Placements with and loans to banks and other financial institutions, net	**525,012**	523,183

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. As at 30 June 2020 and 31 December 2019, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group. The Group did not elect to offset these financial assets and financial liabilities on a net basis. The Group does not hold any other financial instruments, other than derivatives, that are subject to master netting arrangements or similar agreements.

	30 June 2020		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	**2,739,080**	**14,420**	**(13,164)**
Currency options	**133,907**	**4,698**	**(457)**
Subtotal		**19,118**	**(13,621)**
Interest rate derivatives			
Interest rate swaps	**485,278**	**1,278**	**(5,839)**
Precious metal contracts and others	**188,634**	**31**	**(13,434)**
Total derivative financial assets and liabilities		**20,427**	**(32,894)**

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

	31 December 2019		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	2,751,623	23,588	(19,835)
Currency options	108,691	540	(547)
Subtotal		24,128	(20,382)
Interest rate derivatives			
Interest rate swaps	225,976	340	(1,676)
Precious metal contracts and others	95,328	476	(7,490)
Total derivative financial assets and liabilities		24,944	(29,548)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC which was effective from 1 January 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the CBIRC which was effective from 1 January 2019, and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 30 June 2020 and 31 December 2019, the credit risk weighted amount for derivative transaction counterparties was measured under the Internal Ratings — Based approach.

	30 June 2020	31 December 2019
Counterparty credit default risk-weighted assets	**71,702**	79,547
Credit value adjustment risk-weighted assets	**7,737**	10,939
Total	**79,439**	90,486

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above.

	30 June 2020		
	Notional amounts	Fair values	
		Assets	Liabilities
Interest rate swaps	**74,179**	**14**	**(3,726)**

	31 December 2019		
	Notional amounts	Fair values	
		Assets	Liabilities
Interest rate swaps	76,388	24	(1,195)

The Group uses interest rate swaps to hedge against changes in fair value of other debt instrument investments at fair value through other comprehensive income, loans and advances to customers arising from changes in interest rates.

The Group's net (losses)/gains on fair value hedges are as follow:

	Six months ended 30 June	
	2020	2019
Net (losses)/gain on		
— hedging instruments	**(2,785)**	(1,819)
— hedged items	**2,666**	1,716

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the six months ended 30 June 2020 and the six months ended 30 June 2019.

The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies:

	Fair value hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
30 June 2020	**1,416**	**2,088**	**10,517**	**46,086**	**14,072**	**74,179**
31 December 2019	358	2,834	7,480	50,927	14,789	76,388

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) Fair value hedges (Continued)

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	30 June 2020				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	**75,108**	**–**	**–**	**–**	**Other debt instrument investments at fair value through other comprehensive income**
Loans	**5,536**	**–**	**153**	**–**	**Loans and advances to customers**
Total	**80,644**	**–**	**153**	**–**	

	31 December 2019				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	73,117	–	–	–	Other debt instrument investments at fair value through other comprehensive income
Loans	5,552	–	(51)	–	Loans and advances to customers
Total	78,669	–	(51)	–	

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(2) Cash Flow Hedges

The Group uses interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate risks of debt security issued. The maturities of hedging instruments and hedged items are both within five years.

For six month ended 30 June 2020, the Group's net loss from the cash flow hedge of RMB11 million was recognised in other comprehensive income (Six month ended 30 June 2019: net loss of RMB23 million) and the gain and loss arising from the ineffective portion of cash flow hedge were immaterial.

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2020	31 December 2019
Analyzed by collateral type:		
Debt securities	**541,809**	681,891
Bills	**110,257**	27,958
Subtotal	**652,066**	709,849
Accrued interest	**532**	308
Allowance for impairment losses	**(1,799)**	(1,606)
Financial assets held under resale agreements, net	**650,799**	708,551

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

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS

21.1 Analyzed by measurement basis

		30 June 2020	31 December 2019
Measured at amortized cost	(1)	**13,393,524**	12,279,223
Measured at fair value through other comprehensive income	(2)	**562,740**	540,387
Total		**13,956,264**	12,819,610

(1) Measured at amortized cost		
Corporate loans and advances		
Loans and advances	**8,097,254**	7,381,532
Personal loans and advances	**5,850,803**	5,407,627
Subtotal	**13,948,057**	12,789,159
Accrued interest	**37,472**	30,642
Allowance for impairment losses	**(592,005)**	(540,578)
Carrying amount of loans and advances to customers measured at amortized cost	**13,393,524**	12,279,223
(2) Measured at fair value through other comprehensive income		
Corporate loans and advances		
Loans and advances	**201,293**	118,997
Discounted bills	**361,447**	421,390
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**562,740**	540,387

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.2 Analyzed by assessment method of ECL

	Six months ended 30 June 2020			
	Stage I	**Stage II**	**Stage III (i)**	
	12m ECL	**Lifetime ECL**		**Total**
Gross loans and advances measured at amortized cost (accrued interest not included)	**13,416,607**	**323,725**	**207,725**	**13,948,057**
Allowance for impairment losses	**(401,741)**	**(62,814)**	**(127,450)**	**(592,005)**
Loans and advances to customers, net	**13,014,866**	**260,911**	**80,275**	**13,356,052**
Loans and advances measured at fair value through other comprehensive income	**562,505**	**215**	**20**	**562,740**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(15,067)**	**(25)**	**(18)**	**(15,110)**

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III (i)	
	12m ECL	Lifetime ECL		Total
Gross loans and advances measured at amortized cost (accrued interest not included)	12,281,653	320,316	187,190	12,789,159
Allowance for impairment losses	(351,550)	(57,693)	(131,335)	(540,578)
Loans and advances to customers, net	11,930,103	262,623	55,855	12,248,581
Loans and advances measured at fair value through other comprehensive income	540,068	299	20	540,387
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(12,495)	(27)	(15)	(12,537)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.2 Analyzed by assessment method of ECL (Continued)

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

(i) At 30 June 2020, the Group's exposure of credit-impaired Stage III loans and advances covered by collateral and pledge was RMB30,915 million (31 December 2019: the exposure of impaired loans and advances covered by collateral and pledge of the Group was RMB30,745 million).

21.3 Analyzed by movements in loss allowance

The movements of loss allowance is mainly affected by:

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

— Allowance for new financial instruments recognized;

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

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

	Six months ended 30 June 2020			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL	Lifetime ECL		Total
31 December 2019	249,600	53,391	110,480	413,471
Transfer:				
Stage I to stage II	(4,640)	4,640	–	–
Stage II to stage III	–	(11,824)	11,824	–
Stage II to stage I	2,326	(2,326)	–	–
Stage III to stage II	–	1,960	(1,960)	–
Originated or purchased financial assets	68,086	–	–	68,086
Remeasurement	4,105	14,573	13,643	32,321
Repayment and transfer out	(32,814)	(3,664)	(13,326)	(49,804)
Write-offs	–	–	(15,129)	(15,129)
30 June 2020	286,663	56,750	105,532	448,945

	Six months ended 30 June 2020			
	Stage I	Stage II	Stage III	
Personal loans and advances	12m ECL	Lifetime ECL		Total
31 December 2019	114,445	4,329	20,870	139,644
Transfer:				
Stage I to stage II	(2,498)	2,498	–	–
Stage II to stage III	–	(8,377)	8,377	–
Stage II to stage I	844	(844)	–	–
Stage III to stage II	–	523	(523)	–
Originated or purchased financial assets	36,558	–	–	36,558
Remeasurement	3,054	11,993	14,135	29,182
Repayment and transfer out	(22,258)	(4,033)	(14,039)	(40,330)
Write-offs	–	–	(6,884)	(6,884)
30 June 2020	130,145	6,089	21,936	158,170

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

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

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL	Lifetime ECL		Total
31 December 2018	191,146	63,973	128,611	383,730
Transfer:				
Stage I to stage II	(6,261)	6,261	–	–
Stage II to stage III	–	(19,356)	19,356	–
Stage II to stage I	5,948	(5,948)	–	–
Stage III to stage II	–	3,390	(3,390)	–
Originated or purchased financial assets	72,673	–	–	72,673
Remeasurement	25,292	16,147	40,776	82,215
Repayment and transfer out	(39,198)	(11,076)	(35,664)	(85,938)
Write-offs	–	–	(39,209)	(39,209)
31 December 2019	249,600	53,391	110,480	413,471

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
Personal loans and advances	12m ECL	Lifetime ECL		Total
31 December 2018	78,018	4,491	20,373	102,882
Transfer:				
Stage I to stage II	(1,530)	1,530	–	–
Stage II to stage III	–	(5,190)	5,190	–
Stage II to stage I	973	(973)	–	–
Stage III to stage II	–	482	(482)	–
Originated or purchased financial assets	50,904	–	–	50,904
Remeasurement	12,311	5,129	13,406	30,846
Repayment and transfer out	(26,231)	(1,140)	(5,428)	(32,799)
Write-offs	–	–	(12,189)	(12,189)
31 December 2019	114,445	4,329	20,870	139,644

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS

		30 June 2020	31 December 2019
Financial assets at fair value through profit or loss	22.1	**865,079**	801,361
Debt instrument investments at amortized cost	22.2	**5,170,218**	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	22.3	**1,812,533**	1,674,828
Total		**7,847,830**	7,422,930

22.1 Financial assets at fair value through profit or loss

		30 June 2020	31 December 2019
Financial assets held for trading	(1)	**300,405**	240,281
Other financial assets at fair value through profit or loss	(2)	**212,515**	216,052
Financial assets designated at fair value through profit or loss	(3)	**352,159**	345,028
Total		**865,079**	801,361
Analyzed as:			
Listed in Hong Kong		**2,499**	3,695
Listed outside Hong Kong	(i)	**531,295**	481,884
Unlisted		**331,285**	315,782
Total		**865,079**	801,361

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

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

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

(1) *Financial assets held for trading*

	30 June 2020	31 December 2019
Debt securities issued by:		
Governments	**12,707**	10,371
Public sector and quasi-governments	**80,675**	45,231
Financial institutions	**109,674**	102,650
Corporates	**54,300**	43,207
Subtotal	**257,356**	201,459
Precious metal contracts	**30,514**	29,132
Equity	**2,960**	2,354
Fund	**9,575**	7,336
Total	**300,405**	240,281

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

	30 June 2020	31 December 2019
Debt securities issued by:		
Public sector and quasi-governments	**19,926**	19,434
Financial institutions	**65,573**	72,334
Corporates	**2,569**	5,724
Subtotal	**88,068**	97,492
Equity	**97,593**	95,183
Fund and others	**26,854**	23,377
Total	**212,515**	216,052

(ii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at AC nor FVOCI and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

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

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

	30 June 2020	31 December 2019
Debt securities issued by:		
Governments	**15,316**	17,137
Public sector and quasi-governments	**19,160**	19,790
Financial institutions	**126,762**	147,389
Corporates	**26,121**	27,334
Subtotal	**187,359**	211,650
Deposits with banks and other financial institutions	**13,668**	28,207
Placements with and loans to banks and other financial institutions	**130,271**	104,184
Others	**20,861**	987
Total	**352,159**	345,028

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

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost

		30 June 2020	31 December 2019
Debt securities issued by:			
Governments		**3,015,950**	2,755,256
Public sector and quasi-governments		**1,256,044**	1,278,027
Financial institutions		**276,163**	302,220
Corporates		**139,894**	124,558
Subtotal		**4,688,051**	4,460,061
Receivable from the MOF	(i)	**290,891**	290,891
Special government bonds	(ii)	**93,354**	93,352
Others	(iii)	**13,642**	16,791
Total		**5,085,938**	4,861,095
Accrued interest		**95,424**	95,134
Allowance for impairment losses		**(11,144)**	(9,488)
Debt instrument investments at amortized cost, net		**5,170,218**	4,946,741
Analyzed as:			
Listed in Hong Kong		**15,806**	17,851
Listed outside Hong Kong	(iv)	**4,793,675**	4,567,976
Unlisted		**360,737**	360,914
Total		**5,170,218**	4,946,741

(i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the prior year.

(ii) 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.

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(1) Analyzed by assessment method of ECL

	30 June 2020			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	**5,179,182**	**1,096**	**1,084**	**5,181,362**
Allowance for impairment losses	**(10,195)**	**(26)**	**(923)**	**(11,144)**
Debt instrument investments at amortized cost, net	**5,168,987**	**1,070**	**161**	**5,170,218**

	31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	4,953,832	1,196	1,201	4,956,229
Allowance for impairment losses	(8,409)	(32)	(1,047)	(9,488)
Debt instrument investments at amortized cost, net	4,945,423	1,164	154	4,946,741

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

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

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

	Six months ended 30 June 2020			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
31 December 2019	**8,409**	**32**	**1,047**	**9,488**
Originated or purchased financial assets	**1,293**	**–**	**–**	**1,293**
Remeasurement	**868**	**(5)**	**3**	**866**
Maturities or transfer out	**(375)**	**(1)**	**–**	**(376)**
Write-offs	**–**	**–**	**(127)**	**(127)**
30 June 2020	**10,195**	**26**	**923**	**11,144**

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
31 December 2018	6,691	236	2,260	9,187
Transfer:				
Stage I transfer to stage II	(29)	29	–	–
Stage I transfer to stage III	(382)	–	382	–
Originated or purchased financial assets	1,832	–	–	1,832
Remeasurement	1,534	3	4	1,541
Maturities or transfer out	(1,237)	(236)	(1,599)	(3,072)
31 December 2019	8,409	32	1,047	9,488

(i) As at 30 June 2020, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the increase of debt instrument investments and the remeasurement of existing debt instrument investments in the year.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

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

		30 June 2020			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Debt instruments	(1)	**1,783,038**	**1,808,684**	**25,646**	**(9,228)**
Equity instruments	(2)	**2,801**	**3,849**	**1,048**	**N/A**
Total		**1,785,839**	**1,812,533**	**26,694**	**(9,228)**

		31 December 2019			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Debt instruments	(1)	1,650,974	1,671,746	20,772	(6,897)
Equity instruments	(2)	2,050	3,082	1,032	N/A
Total		1,653,024	1,674,828	21,804	(6,897)

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

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

(1) Debt instruments

(a) Analyzed by measurement basis

	30 June 2020	31 December 2019
Debt securities issued by:		
Governments	**787,143**	744,035
Public sector and quasi-governments	**231,237**	247,527
Financial institutions	**569,539**	478,172
Corporates	**178,712**	165,270
Subtotal	**1,766,631**	1,635,004
Others (i)	**21,546**	18,556
Subtotal of debt instruments	**1,788,177**	1,653,560
Accrued interest	**20,507**	18,186
Total	**1,808,684**	1,671,746
Analyzed as:		
Listed in Hong Kong	**88,336**	107,477
Listed outside Hong Kong	**1,659,683**	1,499,316
Unlisted	**60,665**	64,953
Total	**1,808,684**	1,671,746

(i) Others primarily include investments in unconsolidated structured entities held by the Group (Note 44(2)), such as trust investment plans and debt investment plans.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

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

(1) Debt instruments (Continued)

(b) Analyzed by assessment method of ECL

	30 June 2020		
	Stage I 12m ECL	**Stage III Lifetime ECL**	**Total**
Other debt instruments at fair value through other comprehensive income	**1,808,614**	**70**	**1,808,684**
Allowance for impairment losses	**(9,181)**	**(47)**	**(9,228)**

	31 December 2019		
	Stage I 12m ECL	Stage III Lifetime ECL	Total
Other debt instruments at fair value through other comprehensive income	1,671,525	221	1,671,746
Allowance for impairment losses	(6,874)	(23)	(6,897)

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

(c) Analyzed by movements in loss allowance

	Six months ended 30 June 2020		
	Stage I 12m ECL	**Stage III Lifetime ECL**	**Total**
31 December 2019	**6,874**	**23**	**6,897**
Transfer:			
stage I transfer to stage III	**(26)**	**26**	**–**
Originated or purchased financial assets	**2,862**	**–**	**2,862**
Remeasurement	**489**	**5**	**494**
Maturities or transfer out	**(1,018)**	**(7)**	**(1,025)**
30 June 2020	**9,181**	**47**	**9,228**

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

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

(1) Debt instruments (Continued)

(c) Analyzed by movements in loss allowance (Continued)

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
31 December 2018	5,720	552	55	6,327
Transfer:				
stage II transfer to stage I	26	(26)	–	–
Originated or purchased financial assets	2,129	–	–	2,129
Remeasurement	186	–	23	209
Maturities or transfer out	(1,187)	(526)	(55)	(1,768)
31 December 2019	6,874	–	23	6,897

As at 30 June 2020, the increases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to the increase of debt instrument investments and the derecognition of existing debt instrument investments in the year.

(2) Equity instruments

	30 June 2020	31 December 2019
Other financial institutions	**3,666**	2,878
Other enterprises	**183**	204
Total	**3,849**	3,082

(Amounts in millions of Renminbi, unless otherwise stated)

23 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2020	31 December 2019
Investment in associates	**1,364**	1,289
Investment in joint ventures	**6,281**	5,470
Subtotal	**7,645**	6,759
Allowance for impairment losses		
— investment in associate	**(88)**	(87)
Carrying amount	**7,557**	6,672

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

(Amounts in millions of Renminbi, unless otherwise stated)

24 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2020	**193,465**	**67,116**	**13,364**	**4,321**	**278,266**
Additions	**438**	**644**	**565**	**1,387**	**3,034**
Transfers	**1,777**	**281**	**–**	**(2,058)**	**–**
Disposals	**(593)**	**(2,977)**	**(77)**	**(2)**	**(3,649)**
30 June 2020	**195,087**	**65,064**	**13,852**	**3,648**	**277,651**
Accumulated depreciation					
1 January 2020	**(73,609)**	**(48,465)**	**(3,393)**	**–**	**(125,467)**
Charge for the period	**(3,210)**	**(2,913)**	**(354)**	**–**	**(6,477)**
Disposals	**302**	**2,482**	**69**	**–**	**2,853**
30 June 2020	**(76,517)**	**(48,896)**	**(3,678)**	**–**	**(129,091)**
Allowance for impairment losses					
1 January 2020	**(265)**	**(16)**	**–**	**(34)**	**(315)**
Disposals	**1**	**2**	**–**	**–**	**3**
30 June 2020	**(264)**	**(14)**	**–**	**(34)**	**(312)**
Carrying value					
30 June 2020	**118,306**	**16,154**	**10,174**	**3,614**	**148,248**
1 January 2020	**119,591**	**18,635**	**9,971**	**4,287**	**152,484**

(Amounts in millions of Renminbi, unless otherwise stated)

24 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2019	186,443	65,804	11,097	7,986	271,330
Additions	10,999	10,053	2,945	2,060	26,057
Transfers	5,097	226	1	(5,324)	–
Disposals	(9,074)	(8,967)	(679)	(401)	(19,121)
31 December 2019	193,465	67,116	13,364	4,321	278,266
Accumulated depreciation					
1 January 2019	(67,584)	(47,735)	(3,258)	–	(118,577)
Charge for the year	(6,613)	(5,919)	(545)	–	(13,077)
Disposals	588	5,189	410	–	6,187
31 December 2019	(73,609)	(48,465)	(3,393)	–	(125,467)
Allowance for impairment losses					
1 January 2019	(271)	(21)	(1)	(8)	(301)
Impairment loss	–	–	–	(26)	(26)
Disposals	6	5	1	–	12
31 December 2019	(265)	(16)	–	(34)	(315)
Carrying value					
31 December 2019	119,591	18,635	9,971	4,287	152,484
1 January 2019	118,588	18,048	7,838	7,978	152,452

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 2020, the registration transfer process of these transferred properties and other certain properties have not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

(Amounts in millions of Renminbi, unless otherwise stated)

25 DEFERRED TAXATION

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

	30 June 2020	31 December 2019
Deferred tax assets	**124,778**	120,952
Deferred tax liabilities	**(420)**	(520)
Net	**124,358**	120,432

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

	Allowance for impairment losses	**Accrued but unpaid staff cost**	**Early retirement benefits**	**Provision**	**Fair value changes of financial instruments**	**Others**	**Total**
31 December 2019	**114,140**	**9,175**	**533**	**7,640**	**(11,302)**	**246**	**120,432**
Credit/(charge) to the consolidated income statement	**6,083**	**(753)**	**(108)**	**1,821**	**(2,676)**	**45**	**4,412**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**(486)**	**–**	**(486)**
30 June 2020	**120,223**	**8,422**	**425**	**9,461**	**(14,464)**	**291**	**124,358**

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2018	103,435	8,865	720	6,471	(6,579)	242	113,154
Credit/(charge) to the consolidated income statement	10,705	310	(187)	1,169	(1,940)	4	10,061
Credit to other comprehensive income	–	–	–	–	(2,783)	–	(2,783)
31 December 2019	114,140	9,175	533	7,640	(11,302)	246	120,432

(Amounts in millions of Renminbi, unless otherwise stated)

25 DEFERRED TAXATION (Continued)

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

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary difference	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	**480,892**	**120,223**	456,559	114,140
Fair value changes of financial instruments	**26,710**	**6,677**	23,426	5,856
Accrued but unpaid staff cost	**33,689**	**8,422**	36,700	9,175
Provision	**37,844**	**9,461**	30,558	7,640
Early retirement benefits	**1,700**	**425**	2,133	533
Others	**1,163**	**291**	1,019	255
Subtotal	**581,998**	**145,499**	550,395	137,599
Deferred tax liabilities				
Fair value changes of financial instruments	**(84,566)**	**(21,141)**	(68,635)	(17,158)
Others	**(1)**	**–**	(35)	(9)
Subtotal	**(84,567)**	**(21,141)**	(68,670)	(17,167)
Net	**497,431**	**124,358**	481,725	120,432

(Amounts in millions of Renminbi, unless otherwise stated)

26 OTHER ASSETS

		30 June 2020	31 December 2019
Accounts receivable and temporary payments	(1)	**138,551**	78,132
Land use rights	(2)	**19,510**	19,889
Right-of-use assets	(3)	**9,966**	10,805
Interest receivable		**3,353**	3,030
Intangible assets		**3,260**	3,229
Investment properties		**2,785**	2,730
Long-term deferred expenses		**1,748**	1,792
Value-added tax receivable		**1,466**	1,173
Premiums receivable and reinsurance assets		**895**	564
Foreclosed assets		**746**	594
Others		**15,752**	9,943
Total		**198,032**	131,881

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

For account receivables arising from revenue recognized in accordance with IFRS 15, the entity measures the loss allowance at amount equal to lifetime ECL using a simplified approach. At 30 June 2020, the principals of these account receivables was RMB2,879 million (31 December 2019: RMB2,658 million), and the loss allowance at amount equal to lifetime ECL was RMB1,054 million (31 December 2019: RMB859 million).

For other account receivables, the entity measures ECL using relatively simple ECL models, by which the Group prepares a provision matrix incorporating current condition and future forecast to measure loss allowances. At 30 June 2020, the gross amount of these account receivables was RMB139,218 million (31 December 2019: RMB78,994 million), and the loss allowance was RMB2,492 million (31 December 2019: RMB2,661 million).

(2) *According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2020, 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.*

(3) *As at 30 June 2020, the right-of-use assets recognized by the Group are mainly include operation buildings, and are mainly used for daily business. The depreciation expense for the six months ended 30 June 2020 was amounting to RMB1,996 million (Six months ended 30 June 2019: RMB1,763 million), and the accumulated depreciation amounting to RMB5,517 million (31 December 2019: RMB3,700 million).*

27 BORROWINGS FROM CENTRAL BANKS

As at 30 June 2020, borrowings from central banks mainly included Medium-term Lending Facilities from PBOC amounting to RMB580,500 million (31 December 2019: RMB596,500 million).

(Amounts in millions of Renminbi, unless otherwise stated)

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Deposits from:		
Domestic banks	**106,734**	100,894
Other domestic financial institutions	**1,110,674**	1,339,628
Overseas banks	**2,509**	3,242
Other overseas financial institutions	**59,088**	55,438
Subtotal	**1,279,005**	1,499,202
Accrued interest	**6,202**	4,707
Total	**1,285,207**	1,503,909

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Placements from:		
Domestic banks and other financial institutions	**167,631**	148,603
Overseas banks and other financial institutions	**175,372**	175,124
Subtotal	**343,003**	323,727
Accrued interest	**1,465**	1,636
Total	**344,468**	325,363

(Amounts in millions of Renminbi, unless otherwise stated)

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2020	31 December 2019
Financial liabilities held for trading			
Precious metal contracts		**15,338**	14,147
Others		**441**	–
Subtotal		**15,779**	14,147
Financial liabilities designated at fair value through profit or loss			
Placements from banks and other financial institutions by principal guaranteed wealth management	(1)	**26,978**	6,681
Overseas debt securities		**–**	3,505
Subtotal		**26,978**	10,186
Total		**42,757**	24,333

(1) *The Group designates placements from banks and other financial institutions by principal guaranteed wealth management as financial liabilities at fair value through profit or loss.*

For the six months ended 30 June 2020 and the year ended 31 December 2019, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2020	31 December 2019
Analyzed by type of collateral:		
Debt securities	**30,843**	50,895
Bills	**30**	1,970
Subtotal	**30,873**	52,865
Accrued interest	**147**	332
Total	**31,020**	53,197

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

(Amounts in millions of Renminbi, unless otherwise stated)

32 DUE TO CUSTOMERS

		30 June 2020	31 December 2019
Demand deposits			
Corporate customers		**5,184,321**	4,973,481
Individual customers		**5,863,425**	5,689,617
Time deposits			
Corporate customers		**2,559,411**	2,306,667
Individual customers		**6,044,814**	5,223,243
Pledged deposits	(1)	**297,385**	250,847
Others		**184,308**	174,318
Subtotal		**20,133,664**	18,618,173
Accrued interest		**229,434**	230,982
Total		**20,363,098**	18,849,155

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

	30 June 2020	31 December 2019
Guarantee and letters of guarantee	**65,519**	68,694
Trade finance	**109,080**	75,808
Bank acceptances	**50,143**	49,904
Letters of credit	**31,323**	17,571
Others	**41,320**	38,870
Total	**297,385**	250,847

(2) *As at 30 June 2020, the Group reclassified the principal-guaranteed WMPs that were originally disclosed in Note 30 "Financial Liabilities at Fair Value Through Profit or Loss" to the item of "Due to Customers", relevant comparative amounts have been reclassified. The measurement of these principal-guaranteed WMPs is unchanged and at fair value through profit or loss. As at 30 June 2020 and 31 December 2019, the difference between the fair value of the principal-guaranteed WMPs and the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material. As at 30 June 2020, due to customers measured at amortized cost of the Group amounted to RMB19,611,983 million (31 December 2019: RMB18,396,387 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB751,115 million (31 December 2019: RMB452,768 million).*

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED

		30 June 2020	31 December 2019
Bonds issued	(1)	**421,873**	349,978
Certificates of deposit issued	(2)	**292,737**	267,307
Other debt securities issued	(3)	**417,517**	482,345
Subtotal		**1,132,127**	1,099,630
Accrued Interest		**5,800**	8,582
Total		**1,137,927**	1,108,212

As at 30 June 2020 and 31 December 2019, there was no default related to any debt securities issued by the Group.

(1) Bonds issued

		30 June 2020	31 December 2019
2.75% USD fixed rate Green Bonds maturing in October 2020	(i)	**3,540**	3,488
5.3% subordinated fixed rate bonds maturing in June 2026	(ii)	**50,000**	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(iii)	**50,000**	50,000
4.45% Tier-two capital fixed rate bonds maturing in October 2027	(iv)	**40,000**	40,000
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(v)	**40,000**	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(vi)	**50,000**	50,000
4.3% Tier-two capital fixed rate bonds maturing in April 2029	(vii)	**40,000**	40,000
3.1% Tier-two capital fixed rate bonds maturing in April 2030	(viii)	**40,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(ix)	**10,000**	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(x)	**20,000**	20,000
Medium term notes issued	(xi)	**34,650**	35,458
3.68% CNY fixed rate Green Bonds maturing in June 2022	(xii)	**2,600**	3,000
1.99% fixed rate financial bond maturing in April 2023	(xiii)	**20,000**	–
3.3% fixed rate financial bond maturing in September 2022	(xiv)	**3,870**	2,890
2.68% fixed rate financial bond maturing in March 2023	(xv)	**4,000**	–
3.4% fixed rate financial bond maturing in September 2024	(xvi)	**1,880**	1,880
2.75% fixed rate financial bond maturing in March 2025	(xvii)	**6,000**	–
3.8% fixed rate financial bond maturing in June 2025	(xviii)	**500**	–
5.55% fixed rate capital replenishment bond maturing in March 2028	(xix)	**3,500**	3,500
3.60% fixed rate capital replenishment bond maturing in March 2030	(xx)	**1,500**	–
Total nominal value		**422,040**	350,216
Less: Unamortized issuance cost and discounts		**(167)**	(238)
Total		**421,873**	349,978

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued):

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

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

(ii) The 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 6 June 2021. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 5.3% per annum from 7 June 2021 onwards.

(iii) 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 19 December 2022. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.99% per annum from 20 December 2022 onwards.

(iv) The Tier-two capital bonds issued in October 2017 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 16 October 2022 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 17 October 2022 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(v) The Tier-two capital bonds issued in April 2018 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 26 April 2023 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 27 April 2023 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(vi) The Tier-two capital bonds issued in March 2019 have a tenor of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 18 March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.28% per annum from 19 March 2024 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(vii) The Tier-two capital bonds issued in April 2019 have a tenor of 10 years, with a fixed coupon rate of 4.30% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 10 April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.30% per annum from 11 April 2024 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(viii) The Tier-two capital bonds issued in April 2020 have a tenor of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 10 April 2025 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 3.10% per annum from 11 April 2025 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued):

(ix) The Tier-two capital bonds issued in March 2019 have a tenor of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 18 March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.53% per annum from 19 March 2029 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(x) The Tier-two capital bonds issued in April 2019 have a tenor of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 10 April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.63% per annum from 11 April 2029 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(xi) 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 2020		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate RMB MTNs	**March 2021 to August 2021**	**4.7–4.8**	**3,022**
Fixed rate HKD MTNs	**August 2020 to January 2021**	**2.18–2.52**	**822**
Floating rate HKD MTNs	**September 2020**	**3 months Hibor +70bps**	**365**
Fixed rate USD MTNs	**September 2020 to September 2021**	**2.50–3.88**	**9,203**
Floating rate USD MTNs	**September 2021 to November 2023**	**3 months Libor +68 to 85bps**	**21,238**
Total			**34,650**

	As at 31 December 2019		
	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate RMB MTNs	March 2021 to August 2021	4.7–4.8	3,600
Fixed rate HKD MTNs	August 2020 to January 2021	2.18–2.52	807
Floating rate HKD MTNs	September 2020 to September 2021	3 months Hibor +70bps	358
Fixed rate USD MTNs	September 2020 to September 2021	2.50–3.88	9,069
Floating rate USD MTNs	February 2020 to November 2023	3 months Libor +68 to 85bps	21,624
Total			35,458

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued):

(xii) The CNY green bonds issued in June 2019 have a tenor of 3 years, with a fixed coupon rate 3.68%, payable annually.

(xiii) The fixed rate Financial bonds issued by ABC in April 2020 have a tenor of 3 years, with a fixed coupon rate of 1.99%, payable annually.

(xiv) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co. Ltd in September 2019 have a tenor of 3 years, with a fixed coupon rate of 3.30%, payable annually.

(xv) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co. Ltd in March 2020 have a tenor of 3 years, with a fixed coupon rate of 2.68%, payable annually.

(xvi) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co. Ltd in September 2019 have a tenor of 5 years, with a fixed coupon rate of 3.40%, payable annually.

(xvii) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co. Ltd in March 2020 have a tenor of 5 years, with a fixed coupon rate of 2.75%, payable annually.

(xviii) The fixed rate Financial bonds issued by ABCI Investment Suzhou Corporation Limited in June 2020 have a tenor of 5 years, with a fixed coupon rate of 3.80%, payable annually.

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

(xx) The fixed rate Capital replenishment debt issued by ABC Life Insurance in March 2020 have a tenor of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value on 25 March 2025. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 26 March 2025 onwards.

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(2) *As at 30 June 2020, the certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from 2 months to 7 years, with interest rates ranging from -1.00% to 3.66%. As at 31 December 2019, the terms of the certificates of deposit ranged from one month to seven years, with interest rates ranging from -0.23% to 3.66% per annum.*

(3) *Other debt securities issued by the Group and bank*

(i) *As at 30 June 2020, the commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the commercial papers ranged from 3 months to 1 year, with interest rates ranging from 0.00% to 2.59%. As at 31 December 2019, the terms of the commercial papers ranged from three months to one year, with interest rates ranging from -0.22% to 2.85% per annum.*

(ii) *As at 30 June 2020, the interbank certificate of deposit were issued by the Bank's Head Office. The term of the interbank certificate of deposit ranged from 6 months to 1 year, with interest rates ranging from 1.58% to 3.18%. As at 31 December 2019, the terms of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from 2.70% to 3.24% per annum.*

34 OTHER LIABILITIES

		30 June 2020	31 December 2019
Clearing and settlement		**139,263**	105,682
Insurance liabilities		**86,287**	73,588
Staff costs payable	(1)	**50,927**	50,471
Provision	(2)	**37,844**	30,558
Income taxes payable		**26,078**	59,286
VAT and other taxes payable		**9,910**	8,541
Lease liabilities		**9,645**	10,280
Dormant accounts		**4,829**	4,579
Interest payable		**616**	114
Amount payable to the MOF		**200**	561
Others		**76,323**	72,093
Total		**441,922**	415,753

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable

		30 June 2020	31 December 2019
Short-term employee benefits	(i)	**42,132**	43,130
Defined contribution benefits	(ii)	**7,095**	5,208
Early retirement benefits	(iii)	**1,700**	2,133
Total		**50,927**	50,471

(i) Short-term employee benefits

		Six months ended 30 June 2020			
		1 January	Increase	Decrease	30 June
Salaries, bonuses, allowance and subsidies	(a)	**31,289**	**38,878**	**(42,628)**	**27,539**
Housing funds	(a)	**184**	**4,285**	**(4,251)**	**218**
Social insurance including:	(a)	**332**	**2,066**	**(1,885)**	**513**
— Medical insurance		**311**	**1,907**	**(1,741)**	**477**
— Maternity insurance		**13**	**104**	**(98)**	**19**
— Employment injury insurance		**8**	**55**	**(46)**	**17**
Labor union fees and staff education expenses		**7,049**	**1,728**	**(650)**	**8,127**
Others		**4,276**	**3,816**	**(2,357)**	**5,735**
Total		**43,130**	**50,773**	**(51,771)**	**42,132**

		Year ended 31 December 2019			
		1 January	Increase	Decrease	31 December
Salaries, bonuses, allowance and subsidies	(a)	29,499	79,255	(77,465)	31,289
Housing funds	(a)	186	8,524	(8,526)	184
Social insurance including:	(a)	255	5,450	(5,373)	332
— Medical insurance		235	4,902	(4,826)	311
— Maternity insurance		13	407	(407)	13
— Employment injury insurance		7	141	(140)	8
Labor union fees and staff education expenses		6,206	3,534	(2,691)	7,049
Others		3,552	10,044	(9,320)	4,276
Total		39,698	106,807	(103,375)	43,130

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

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

	Six months ended 30 June 2020			
	1 January	**Increase**	**Decrease**	**30 June**
Basic pensions	**452**	**3,640**	**(2,995)**	**1,097**
Unemployment insurance	**34**	**116**	**(83)**	**67**
Annuity Scheme	**4,722**	**3,048**	**(1,839)**	**5,931**
Total	**5,208**	**6,804**	**(4,917)**	**7,095**

	Year ended 31 December 2019			
	1 January	Increase	Decrease	31 December
Basic pensions	518	10,825	(10,891)	452
Unemployment insurance	31	349	(346)	34
Annuity Scheme	2,155	6,225	(3,658)	4,722
Total	2,704	17,399	(14,895)	5,208

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

(iii) Early retirement benefits

	Six months ended 30 June 2020			
	1 January	**Increase**	**Decrease**	**30 June**
Early retirement benefits	**2,133**	**(164)**	**(269)**	**1,700**

	Year ended 31 December 2019			
	1 January	Increase	Decrease	31 December
Early retirement benefits	2,883	61	(811)	2,133

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

	30 June 2020	31 December 2019
Discount rate	**2.50%**	2.80%
Annual average medical expense growth rate	**8.00%**	8.00%
Annual subsidies growth rate	**8.00%**	8.00%
Normal retirement age		
— Male	**60**	60
— Female	**55**	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (year 2010–2013) (published historical statistics in China).

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

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(2) Provision

	30 June 2020	31 December 2019
Loan commitments and financial guarantee contracts	**32,587**	25,213
Litigation provision	**4,461**	4,490
Others	**796**	855
Total	**37,844**	30,558

35 ORDINARY SHARES

	30 June 2020	
	Number of shares (millions)	**Nominal value**
Domestic listed A shares, par value RMB1.00 per share	**319,244**	**319,244**
Overseas listed H shares, par value RMB1.00 per share	**30,739**	**30,739**
Total	**349,983**	**349,983**

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

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

(2) As at 30 June 2020 and 31 December 2019, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the 25.19 billion ordinary shares issued through the private placement in June 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

36 OTHER EQUITY INSTRUMENTS

Financial instruments in issued	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
Preference shares — first tranche (1)	6% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the interim period
Preference shares — second tranche (1)	5.5% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the interim period
Undated tier 1 capital bonds in 2019-first tranche (2)	4.39% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	850	85,000	No maturity date	No conversion during the interim period
Undated tier 1 capital bonds in 2019-second tranche (2)	4.20% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	350	35,000	No maturity date	No conversion during the interim period
Undated tier 1 capital bonds in 2020-first tranche (3)	3.48% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	850	85,000	No maturity date	No conversion during the interim period

(1) *The Bank was authorized to issue 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities.*

The first tranche of 400 million preference shares was issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 30 June 2020. The first tranche of preference shares bears a dividend rate of 6% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. The first five-year dividend period expired on 1 November 2019. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium is 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually.

The second tranche of 400 million preference shares was issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 30 June 2020. The second tranche of preference shares bears a dividend rate of 5.5% per annum; dividends are non-cumulative and where payable, is paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. The first five-year dividend period expired on 6 March 2020. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

36 OTHER EQUITY INSTRUMENTS (Continued)

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

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

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

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

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No. 56 [2012]) and subject to regulatory approval, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25.19 billion ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

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

(2) With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 16 August 2019, and the issuance was completed on 20 August 2019. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.39%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 3 September 2019, and the issuance was completed on 5 September 2019. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread,with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.20%.

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the CBIRC and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

36 OTHER EQUITY INSTRUMENTS (Continued)

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds after deducting offering related expenses were used to replenish the Bank's additional tier 1 capital.

(3) With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.48%.

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the CBIRC and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds after deducting offering related expenses were used to replenish the Bank's additional tier 1 capital.

(4) The carrying amount, net of direct issuance expenses, was RMB204,979 million as at 30 June 2020 (31 December 2019: RMB119,987 million).

37 CAPITAL RESERVE

The capital reserve represents the premium related to ordinary shares publicly issued by the Bank in 2010 and private placement of ordinary shares to the specific shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issue expenses, which consisted primarily of underwriting fees and professional fees.

(Amounts in millions of Renminbi, unless otherwise stated)

38 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2020		
	Gross carrying amount	**Tax effect**	**Net effect**
31 December 2019	**39,875**	**(10,191)**	**29,684**
Fair value changes on debt instruments at fair value though other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**7,270**	**(1,708)**	**5,562**
— Amount removed from other comprehensive income and recognized in profit or loss	**(444)**	**112**	**(332)**
Fair value changes on equity instruments at fair value though other comprehensive income			
— Amount of gains recognized directly in other comprehensive income	**16**	**(4)**	**12**
30 June 2020	**46,717**	**(11,791)**	**34,926**

	Year ended 31 December 2019		
	Gross carrying amount	Tax effect	Net effect
31 December 2018	24,996	(6,004)	18,992
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	14,921	(4,196)	10,725
— Amount removed from other comprehensive income and recognized in profit or loss	(425)	107	(318)
Fair value changes on equity instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	383	(98)	285
31 December 2019	39,875	(10,191)	29,684

(Amounts in millions of Renminbi, unless otherwise stated)

39 SURPLUS RESERVE

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

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

40 GENERAL RESERVE

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

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

For the six months ended 30 June 2020, the Group transferred RMB34,809 million (Six months ended 30 June 2019: RMB37,890 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB34,211 million (Six months ended 30 June 2019: RMB37,626 million) related to the appropriation proposed for the year ended 31 December 2019 which was approved in the annual general meeting held on 29 June 2020.

41 CASH AND CASH EQUIVALENTS

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

	30 June 2020	30 June 2019
Cash	**83,032**	91,182
Balance with central banks	**8,616**	194,412
Deposits with banks and other financial institutions	**142,504**	89,090
Placements with and loans to banks and other financial institutions	**187,941**	101,777
Financial assets held under resale agreements	**563,786**	285,588
Total	**985,879**	762,049

42 OPERATING SEGMENTS

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

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the interim financial information 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 Production and Construction Corps Branch), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2020										
External interest income	145,846	69,958	49,293	43,808	47,762	69,821	10,867	12,964	–	450,319
External interest expense	(31,327)	(40,242)	(19,383)	(30,866)	(24,410)	(28,040)	(8,427)	(8,727)	–	(191,422)
Inter-segment interest (expense)/income	(116,460)	26,972	12,496	28,132	21,594	20,149	8,006	(889)	–	–
Net interest income	(1,941)	56,688	42,406	41,074	44,946	61,930	10,446	3,348	–	258,897
Fee and commission income	14,738	11,023	9,391	7,088	6,578	9,486	1,505	(13)	–	59,796
Fee and commission expense	(2,187)	(1,268)	(1,147)	(967)	(921)	(1,153)	(217)	414	–	(7,446)
Net fee and commission income	12,551	9,755	8,244	6,121	5,657	8,333	1,288	401	–	52,350
Net trading gain/(loss)	4,314	(399)	(38)	(24)	(39)	572	(88)	3,090	–	7,388
Net gain/(loss) on financial investments	2,562	(3,070)	(1,273)	(612)	(472)	(753)	(105)	(68)	–	(3,791)
Other operating income	1,333	960	463	321	225	493	41	21,094	–	24,930
Operating income	18,819	63,934	49,802	46,880	50,317	70,575	11,582	27,865	–	339,774
Operating expenses	(7,181)	(14,598)	(10,738)	(12,136)	(14,271)	(20,394)	(5,638)	(23,087)	–	(108,043)
Credit impairment losses	(9,067)	(21,628)	(12,803)	(14,294)	(15,331)	(20,177)	(3,868)	(1,955)	–	(99,123)
Impairment losses on other assets	(1)	1	–	10	2	(32)	(31)	–	–	(51)
Operating profit	2,570	27,709	26,261	20,460	20,717	29,972	2,045	2,823	–	132,557
Share of results of associates and joint ventures	11	–	–	–	–	–	–	(13)	–	(2)
Profit before tax	2,581	27,709	26,261	20,460	20,717	29,972	2,045	2,810	–	132,555
Income tax expense										(23,365)
Profit for the period										109,190
Depreciation and amortization included in operating expenses	753	1,562	1,285	1,514	1,495	2,041	580	227	–	9,457
Capital expenditure	1,135	338	295	404	355	623	115	680	–	3,945
As at 30 June 2020										
Segment assets	6,086,571	5,571,611	3,384,821	4,479,639	3,847,963	5,190,582	1,127,417	1,256,540	(4,597,795)	26,347,349
Including: Investment in associates and joint ventures	217	–	–	–	–	–	–	7,340	–	7,557
Unallocated assets										124,778
Total assets										26,472,127
Include: non-current assets (1)	11,611	30,991	18,642	28,654	27,047	40,813	11,011	25,686	–	194,455
Segment liabilities	(3,924,716)	(5,639,005)	(3,406,377)	(4,521,857)	(3,878,164)	(5,238,085)	(1,139,548)	(1,202,662)	4,597,795	(24,352,619)
Unallocated liabilities										(26,499)
Total liabilities										(24,379,118)
Loan commitments and financial guarantee contracts	43,256	851,802	431,808	506,013	361,160	440,140	66,920	72,241	–	2,773,340

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2019										
External interest income	144,483	62,430	43,495	40,724	42,090	62,672	10,296	15,380	–	421,570
External interest expense	(26,008)	(38,769)	(19,662)	(28,582)	(24,291)	(27,461)	(8,187)	(10,978)	–	(183,938)
Inter-segment interest (expense)/income	(110,570)	25,324	13,550	24,963	20,615	20,019	7,089	(990)	–	–
Net interest income	7,905	48,985	37,383	37,105	38,414	55,230	9,198	3,412	–	237,632
Fee and commission income	13,977	10,199	8,951	6,832	6,587	8,933	1,538	279	–	57,296
Fee and commission expense	(858)	(1,348)	(1,006)	(1,041)	(837)	(1,074)	(173)	(60)	–	(6,397)
Net fee and commission income	13,119	8,851	7,945	5,791	5,750	7,859	1,365	219	–	50,899
Net trading gain	6,645	398	28	118	4	223	47	4,768	–	12,231
Net gain/(loss) on financial investments	1,160	7	7	1	–	(1)	–	(94)	–	1,080
Other operating income	650	910	572	269	161	649	71	19,343	–	22,625
Operating income	29,479	59,151	45,935	43,284	44,329	63,960	10,681	27,648	–	324,467
Operating expenses	(6,846)	(14,504)	(10,604)	(12,175)	(14,068)	(20,352)	(5,748)	(20,856)	–	(105,153)
Credit impairment losses	(2,912)	(12,162)	(11,072)	(13,152)	(11,819)	(16,766)	(3,017)	(2,575)	–	(73,475)
Impairment losses on other assets	(34)	35	73	–	3	(28)	(1)	–	–	48
Operating profit	19,687	32,520	24,332	17,957	18,445	26,814	1,915	4,217	–	145,887
Share of results of associates and joint ventures	5	–	–	–	–	–	–	(30)	–	(25)
Profit before tax	19,692	32,520	24,332	17,957	18,445	26,814	1,915	4,187	–	145,862
Income tax expense										(23,490)
Profit for the period										122,372
Depreciation and amortization included in operating expenses	633	1,516	1,238	1,479	1,502	1,995	596	229	–	9,188
Capital expenditure	541	279	271	–	152	541	89	778	–	2,651
As at 31 December 2019										
Segment assets	6,353,747	5,027,379	3,080,744	4,298,377	3,563,117	4,854,981	1,041,998	1,187,051	(4,650,058)	24,757,336
Including: Investment in associates and joint ventures	207	–	–	–	–	–	–	6,465	–	6,672
Unallocated assets										120,952
Total assets										24,878,288
Include: non-current assets (1)	11,592	32,067	19,404	29,526	28,042	42,169	11,477	24,704	–	198,981
Segment liabilities	(4,411,873)	(5,050,321)	(3,089,694)	(4,326,673)	(3,570,834)	(4,873,445)	(1,052,174)	(1,133,764)	4,650,058	(22,858,720)
Unallocated liabilities										(59,806)
Total liabilities										(22,918,526)
Loan commitments and financial guarantee contracts	40,267	641,332	400,516	441,065	340,859	396,394	72,520	77,075	–	2,410,028

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

42 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2020					
External interest income	176,089	127,160	143,877	3,193	450,319
External interest expense	(59,104)	(95,659)	(35,184)	(1,475)	(191,422)
Inter-segment interest (expense)/income	(6,970)	84,955	(77,985)	–	–
Net interest income	110,015	116,456	30,708	1,718	258,897
Fee and commission income	32,976	25,707	283	830	59,796
Fee and commission expense	(4,134)	(3,281)	(3)	(28)	(7,446)
Net fee and commission income	28,842	22,426	280	802	52,350
Net trading gain	–	–	3,417	3,971	7,388
Net (loss)/gain on financial investments	(3,537)	(1,846)	1,107	485	(3,791)
Other operating income	501	500	2,843	21,086	24,930
Operating income	135,821	137,536	38,355	28,062	339,774
Operating expenses	(31,805)	(42,561)	(10,968)	(22,709)	(108,043)
Credit impairment losses	(62,352)	(26,873)	(9,460)	(438)	(99,123)
Impairment losses on other assets	(50)	1	–	(2)	(51)
Operating profit	41,614	68,103	17,927	4,913	132,557
Share of results of associates and joint ventures	–	–	–	(2)	(2)
Profit before tax	41,614	68,103	17,927	4,911	132,555
Income tax expense					(23,365)
Profit for the period					109,190
Depreciation and amortization included in operating expenses	2,334	5,145	1,763	215	9,457
Capital expenditure	735	1,905	733	572	3,945
As at 30 June 2020					
Segment assets	8,443,908	6,264,481	11,140,532	498,428	26,347,349
Including: Investment in associates and joint ventures	–	–	–	7,557	7,557
Unallocated assets					124,778
Total assets					26,472,127
Segment liabilities	(8,511,347)	(12,975,484)	(2,520,301)	(345,487)	(24,352,619)
Unallocated liabilities					(26,499)
Total liabilities					(24,379,118)
Loan commitments and financial guarantee contracts	1,899,600	873,740	–	–	2,773,340

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury Operations	Others	Consolidated total
For the six months ended 30 June 2019					
External interest income	167,230	109,176	142,303	2,861	421,570
External interest expense	(54,470)	(98,521)	(29,631)	(1,316)	(183,938)
Inter-segment interest income/(expense)	1,863	81,227	(83,090)	–	–
Net interest income	114,623	91,882	29,582	1,545	237,632
Fee and commission income	31,183	25,214	54	845	57,296
Fee and commission expense	(3,359)	(3,006)	(1)	(31)	(6,397)
Net fee and commission income	27,824	22,208	53	814	50,899
Net trading gain	–	–	8,186	4,045	12,231
Net gain/(loss) on financial investments	39	(2)	802	241	1,080
Other operating income	559	520	1,960	19,586	22,625
Operating income	143,045	114,608	40,583	26,231	324,467
Operating expenses	(32,984)	(40,450)	(11,524)	(20,195)	(105,153)
Credit impairment losses	(36,977)	(35,283)	(1,135)	(80)	(73,475)
Impairment losses on other assets	16	65	1	(34)	48
Operating profit	73,100	38,940	27,925	5,922	145,887
Share of results of associates and joint ventures	–	–	–	(25)	(25)
Profit before tax	73,100	38,940	27,925	5,897	145,862
Income tax expense					(23,490)
Profit for the period					122,372
Depreciation and amortization included in operating expenses	2,043	5,243	1,729	173	9,188
Capital expenditure	393	1,126	396	736	2,651
As at 31 December 2019					
Segment assets	7,711,316	5,826,636	10,771,924	447,460	24,757,336
Including: Investment in associates and joint ventures	–	–	–	6,672	6,672
Unallocated assets					120,952
Total assets					24,878,288
Segment liabilities	(8,026,739)	(11,880,991)	(2,701,678)	(249,312)	(22,858,720)
Unallocated liabilities					(59,806)
Total liabilities					(22,918,526)
Loan commitments and financial guarantee contracts	1,565,535	844,493	–	–	2,410,028

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

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

County Area banking business

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

Urban Area banking business

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

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County area banking business	Urban area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2020				
External interest income	108,295	342,024	–	450,319
External interest expense	(58,826)	(132,596)	–	(191,422)
Inter-segment interest income/(expense)	58,701	(58,701)	–	–
Net interest income	108,170	150,727	–	258,897
Fee and commission income	23,679	36,117	–	59,796
Fee and commission expense	(2,798)	(4,648)	–	(7,446)
Net fee and commission income	20,881	31,469	–	52,350
Net trading (loss)/gain	(116)	7,504	–	7,388
Net loss on financial investments	(2,125)	(1,666)	–	(3,791)
Other operating income	2,232	22,698	–	24,930
Operating income	129,042	210,732	–	339,774
Operating expenses	(39,699)	(68,344)	–	(108,043)
Credit impairment losses	(32,806)	(66,317)	–	(99,123)
Impairment losses on other assets	(9)	(42)	–	(51)
Operating profit	56,528	76,029	–	132,557
Share of results of associates and joint ventures	–	(2)	–	(2)
Profit before tax	56,528	76,027	–	132,555
Income tax expense				(23,365)
Profit for the period				109,190
Depreciation and amortization included in operating expenses	3,744	5,713	–	9,457
Capital expenditure	824	3,121	–	3,945
As at 30 June 2020				
Segment assets	9,547,333	16,943,634	(143,618)	26,347,349
Including: Investment in associates and joint ventures	–	7,557	–	7,557
Unallocated assets				124,778
Total assets				26,472,127
Segment liabilities	(8,900,014)	(15,596,223)	143,618	(24,352,619)
Unallocated liabilities				(26,499)
Total liabilities				(24,379,118)
Loan commitments and financial guarantee contracts	867,877	1,905,463	–	2,773,340

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County area banking business	Urban area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2019				
External interest income	95,936	325,634	–	421,570
External interest expense	(57,923)	(126,015)	–	(183,938)
Inter-segment interest income/(expense)	57,514	(57,514)	–	–
Net interest income	95,527	142,105	–	237,632
Fee and commission income	21,719	35,577	–	57,296
Fee and commission expense	(2,576)	(3,821)	–	(6,397)
Net fee and commission income	19,143	31,756	–	50,899
Net trading gain	666	11,565	–	12,231
Net gain on financial investments	–	1,080	–	1,080
Other operating income	1,784	20,841	–	22,625
Operating income	117,120	207,347	–	324,467
Operating expenses	(39,121)	(66,032)	–	(105,153)
Credit impairment losses	(32,350)	(41,125)	–	(73,475)
Impairment losses on other assets	35	13	–	48
Operating profit	45,684	100,203	–	145,887
Share of results of associates and joint ventures	–	(25)	–	(25)
Profit before tax	45,684	100,178	–	145,862
Income tax expense				(23,490)
Profit for the period				122,372
Depreciation and amortization included in operating expenses	3,741	5,447	–	9,188
Capital expenditure	304	2,347	–	2,651
As at 31 December 2019				
Segment assets	8,699,905	16,172,309	(114,878)	24,757,336
Including: Investment in associates and joint ventures	–	6,672	–	6,672
Unallocated assets				120,952
Total assets				24,878,288
Segment liabilities	(8,085,616)	(14,887,982)	114,878	(22,858,720)
Unallocated liabilities				(59,806)
Total liabilities				(22,918,526)
Loan commitments and financial guarantee contracts	729,244	1,680,784	–	2,410,028

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2020, the MOF directly owned 35.29% (31 December 2019: 35.29%) 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 2020	31 December 2019
Assets		
Treasury bonds and special government bond	**601,985**	643,568
Receivable from the MOF	**312,165**	307,723
Other accounts receivable	**1,004**	1,004
Liabilities		
Amount payable to the MOF	**200**	520
Customer deposits	**7,401**	7,772
Other liability		
— redemption of treasury bonds on behalf of the MOF	**4**	4
— amount payable to the MOF	**–**	41

	Six months ended 30 June	
	2020	2019
Interest income	**14,293**	14,277
Interest expense	**(58)**	(137)
Fee and commission income	**–**	680
Net gain on financial investments	**121**	88

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

	Six months ended 30 June	
	2020	2019
	%	%
Treasury bonds and receivable from the MOF	**0.13–9.00**	2.29–9.00
Customer deposits	**0.0001–2.81**	0.0001–3.41

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

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

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

As at 30 June 2020, Huijin directly owned 40.03% (31 December 2019: 40.03%) of the ordinary shares of the Bank.

Transactions with Huijin

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

	30 June 2020	31 December 2019
Assets		
Loans and advances to customers	**12,013**	22,024
Financial investment	**71,587**	68,455
Liabilities		
Due to customers	**3,216**	1,862

	Six months ended 30 June	
	2020	2019
Interest income	**1,606**	1,517
Interest expense	**(29)**	(127)
Net gain on financial investments	**22**	24

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

	Six months ended 30 June	
	2020	2019
	%	%
Loans and advances to customers	**3.92**	4.35
Financial investment	**2.15–5.15**	2.95–5.15
Due to customers	**1.38–2.25**	1.38–2.18

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin

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

	30 June 2020	31 December 2019
Assets		
Deposits with banks and other financial institutions	**57,049**	63,637
Placements with and loans to banks and other financial institutions	**84,713**	61,520
Derivative financial assets	**1,750**	4,360
Financial assets held under resale agreements	**12,009**	94,067
Loans and advances to customers	**60,112**	53,117
Financial investment	**709,469**	768,800
Liabilities		
Deposits from banks and other financial institutions	**78,215**	157,640
Placements from banks and other financial institutions	**97,628**	94,756
Derivative financial liabilities	**5,546**	5,518
Financial assets sold under repurchase agreements	**100**	1,309
Due to customers	**1,993**	1,438
Equity		
Other equity instruments	**2,000**	2,000
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	**5,300**	5,002

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(3) National Council for Social Security Fund of the People's Republic of China

On 25 September 2019, the Ministry of Finance transferred its 3.92% of the Bank's common stock equity to the National Council for Social Security Fund of the People's Republic of China ("SSF") for a one-time transfer. As of 30 June 2020 and 31 December 2019, the Bank's shares held by SSF accounted for 6.95% of the Bank's total share capital. The daily business transactions between the Group and the SSF are conducted on normal commercial terms.

	30 June 2020	31 December 2019
Liabilities		
Due to customers	**47,005**	55,815

	Six months ended 30 June	
	2020	2019
Interest expense	**(1,220)**	N/A

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

	Six months ended 30 June	
	2020	2019
	%	%
Due to customers	**0.30–5.20**	N/A

(4) The Group and other government related entities

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

Management considers that these transactions are activities conducted in the ordinary course of business, and that the deals 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)

43 RELATED PARTY TRANSACTIONS (Continued)

(5) The Bank and its subsidiaries

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

	30 June 2020	31 December 2019
Assets		
Placements with and loans to banks and other financial institutions	**91,050**	88,805
Financial assets held under resale agreements	**751**	–
Financial investment	**2,954**	2,709
Other assets	**21**	21
Liabilities		
Deposits from banks and other financial institutions	**18,047**	10,895
Due to customers	**1,619**	950
Other liabilities	**1,560**	1,040
Off-balance sheet items		
Letters of guarantee issued and guarantees	**12,743**	12,557

	Six months ended 30 June	
	2020	2019
Interest income	**830**	290
Fee and commission income	**1,080**	775
Other operating income	**5**	15
Interest expense	**(206)**	(52)
Fee and commission expense	**(479)**	–
Operating expense	**(93)**	(57)
Other operating expense	**(8)**	(30)

	Six months ended 30 June	
	2020	2019
	%	%
Placements with and loans to banks and other financial institutions	**0.53–3.60**	0.50–4.25
Financial assets held under resale agreements	**0.93–2.85**	2.60–3.20
Financial investment	**3.30–4.70**	2.38–4.70
Loans and advances to customers	**–**	4.60
Deposits from banks and other financial institutions	**0.00–4.13**	0.01–3.05
Due to customers	**0.30–3.85**	0.30–3.85

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(6) The Group and its associates and joint ventures

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

	30 June 2020	31 December 2019
Placements with banks and other financial institutions	**52**	–

	Six months ended 30 June	
	2020	2019
	%	%
Placements with banks and other financial institutions	**2.00–2.44**	0.01

For the six months ended 30 June 2020 and 30 June 2019, transaction profit or loss between the Group and its associates and joint ventures was not significant.

(7) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 30 June 2020, the balance of loans and advances to above related parties is RMB0.25 billion (31 December 2019: RMB9.54 billion).

(8) Related natural persons transactions

The Group issued loan and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the CSRC). As at 30 June 2020, the balance of such loan amounted to RMB6.51 million. (31 December 2019: RMB7.49 million).

As at 30 June, 2020, the Bank's balance of credit related transactions to the related natural persons, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives as defined in the Administration of Connected Transactions between Commercial Banks and Their Insiders totalled RMB4.68 billion (31 December 2019: RMB13.07 billion), and the balance of non credit transaction which are mainly WMPs totalled RMB1.71 billion (31 December 2019: RMB1.41 billion).

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(9) 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 2020	31 December 2019
Deposits from Annuity Scheme	**4,382**	3,196

	Six months ended 30 June	
	2020	2019
Interest expense	**(85)**	(114)

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

	Six months ended 30 June	
	2020	2019
	%	%
Deposits from Annuity Scheme	**0.00–5.00**	0.00–5.00

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(10) Proportion of transactions with major related parties

Related party transactions with subsidiaries have been eliminated in the process of preparing interim financial information. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

Transaction Balance

	As at 30 June 2020		As at 31 December 2019	
	Related party transactions	Proportion	Related party transactions	Proportion
Deposits from banks and other financial institutions	**57,049**	**12.70%**	63,637	26.99%
Placements with and loans to banks and other financial institutions	**84,765**	**16.15%**	61,520	11.76%
Derivative financial assets	**1,750**	**8.57%**	4,360	17.48%
Financial assets held under resale agreements	**12,009**	**1.85%**	94,067	13.28%
Loans and advances to customers	**72,125**	**0.52%**	75,141	0.59%
Financial investment	**1,695,206**	**21.60%**	1,788,546	24.09%
Other asset	**1,004**	**0.51%**	1,004	0.76%
Deposits from banks and other financial institutions	**78,215**	**6.09%**	157,640	10.48%
Placements from banks and other financial institutions	**97,628**	**28.34%**	94,756	29.12%
Derivative financial liabilities	**5,546**	**16.86%**	5,518	18.67%
Financial assets sold under repurchase agreements	**100**	**0.32%**	1,309	2.46%
Due to customers	**59,615**	**0.29%**	66,887	0.35%
Other liabilities	**204**	**0.05%**	565	0.14%
Other equity instruments	**2,000**	**0.70%**	2,000	1.00%

Transaction amount

	Six months ended 30 June			
	2020		2019	
	Related party transactions	Proportion	Related party transactions	Proportion
Interest income	**15,899**	**3.53%**	15,794	3.75%
Interest expense	**(1,307)**	**0.68%**	(264)	0.14%
Net gain on financial investments	**143**	**–**	112	10.37%
Fee and commission income	**–**	**–**	680	1.19%

44 STRUCTURED ENTITIES

(1) Consolidated structured entities

Principal guaranteed WMPs sponsored and managed by the Group

Principal guaranteed WMPs sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities are measured at fair value through profit or loss, respectively.

Other consolidated structured entities

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

As at 30 June 2020, the total assets of these consolidated structured entities were RMB516,560 million (31 December 2019: RMB464,477 million).

(2) Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

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

As at 30 June 2020, the total assets invested by these WMPs amounted to RMB1,890,619 million (31 December 2019: RMB1,960,701 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,518,910 million (31 December 2019: RMB1,727,350 million). For the six months ended 30 June 2020, the Group's interest in these WMPs included net fee and commission income of RMB2,933 million (Six months ended 30 June 2019: RMB2,296 million) and net interest income of RMB428 million (Six months ended 30 June 2019: RMB302 million), which related to placements and repo transactions entered into by the Group with these WMP Vehicles.

44 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities (Continued)

Unconsolidated structured entities sponsored and managed by the Group *(Continued)*

The Group has entered into placements and repo transactions at market interest rates with these WMPs. The average balance for the six months ended 30 June 2020 and the outstanding balance as at 30 June 2020 of these transactions were RMB31,961 million, weighted average outstanding period of 5.91 days (Six months ended 30 June 2019: RMB14,131 million and 5.20 days) and RMB195,749 million (31 December 2019: RMB116,900 million), respectively. The Group was under no obligation to enter into these transactions. As at 30 June 2020 and 31 December 2019, the outstanding balance of these transactions was presented in placements with and loans to banks and other financial institutions and financial assets held under resale agreements, which represented the Group's maximum exposure to the WMPs.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMPs or any third parties that could increase the level of the Group's risk from WMPs disclosed above during the period ended 30 June 2020 and the year ended 31 December 2019. The Group was not required to absorb any losses incurred by WMPs. During the period ended 30 June 2020 and the year ended 31 December 2019, no loss was incurred by these WMPs relating to the Group's interests in these WMPs, and the WMPs did not experience difficulty in financing their activities.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds, asset management plans and asset-backed securities. As at 30 June 2020, the total assets of these products amounted to RMB641,881 million (31 December 2019: RMB478,339 million). During the period ended 30 June 2020, the Group's interest in these products mainly included net fee and commission income of RMB629 million (Six months ended 30 June 2019: RMB483 million).

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, funds, trust plans and asset-backed securities. As at 30 June 2020, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB80,938 million (31 December 2019: RMB73,521 million), included under the financial assets at fair value through profit or loss, Other debt instrument investments at fair value through other comprehensive income and debt instrument investments at amortized cost categories in the consolidated statement of financial position. As at 30 June 2020 and 31 December 2019, the information on the size of total assets of these unconsolidated structured entities was not readily available from the public domain.

(Amounts in millions of Renminbi, unless otherwise stated)

45 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2020, provisions of RMB4,461 million were made by the Group (31 December 2019: RMB4,490 million) based on court judgments or advice of legal counsel, and included in Note 34 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

On 28 September 2016, the Bank and its New York Branch entered into a Cease and Desist Order with the Board of Governors of the Federal Reserve System of the United States. On 4 November 2016, the Bank and its New York Branch entered into a Consent Order with New York State Department of Financial Services (the "Department") and paid a civil monetary penalty to the Department accordingly. As at 31 December 2016, the above-mentioned civil monetary penalty was paid and reflected in the financial information for the year ended 31 December 2016.

The Bank and its New York Branch are taking affirmative actions to respond to other requirements under these two orders. As at the date of these financial statements, the Group is of the view that it is not practicable to estimate whether there will be any further regulatory actions undertaken by the US regulators as this will be dependent upon the regulatory conclusion after the Bank's and its New York Branch's actions towards the other requirements under these two orders. As such, the Group did not accrue any further provision over this matter as at 30 June 2020.

Capital commitments

	30 June 2020	31 December 2019
Contracted but not provided for	**2,586**	2,606

In addition, as at 30 June 2020 and 31 December 2019, the Group did not have outstanding equity investment commitments for its investee companies.

(Amounts in millions of Renminbi, unless otherwise stated)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Loan commitments and financial guarantee contracts

	30 June 2020	31 December 2019
Loan commitments		
— With an original maturity of less than 1 year	**200,611**	149,602
— With an original maturity of 1 year or above	**987,888**	907,194
Subtotal	**1,188,499**	1,056,796
Bank acceptances	**505,320**	339,829
Credit card commitments	**682,896**	646,134
Guarantee and letters of guarantee	**225,092**	216,229
Letters of credit	**171,533**	151,040
Total	**2,773,340**	2,410,028

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

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 30 June 2020 and 31 December 2019, credit risk weighted amount for credit commitments was measured under the Internal Ratings Based approach.

	30 June 2020	31 December 2019
Credit risk weighted amount for credit commitments	**1,206,360**	1,063,652

(Amounts in millions of Renminbi, unless otherwise stated)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets pledged

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

	30 June 2020	31 December 2019
Debt securities	**34,598**	55,738
Bills	**30**	1,978
Total	**34,628**	57,716

As at 30 June 2020, The financial assets sold under repurchase agreements (Note 31) by the Group are due within 12 months from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 46 Transferred Financial Assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions and borrowings from central banks etc. by the Group as at 30 June 2020 amounted to RMB839,116 million in total (31 December 2019: RMB863,190 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note 20 Financial Assets Held Under Resale Agreements). The Group did not hold any collateral that can be resold or re-pledged as at 30 June 2020 and 31 December 2019.

45 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 interest payable in accordance with the terms of the related early redemption arrangement.

As at 30 June 2020, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB67,856 million (31 December 2019: RMB75,795 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

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

Commitment on security underwriting

As at 30 June 2020 and 31 December 2019, the Group did not have unfulfilled commitment in respect of securities underwriting business.

Operating lease commitments

As at 30 June 2020, the Group, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases, which include short-term lease and leases of low-value assets not recognized as lease liabilities, and also include the signed contracts not yet executed, amounted to RMB165 million (As at 31 December 2019: RMB97 million).

46 TRANSFERRED FINANCIAL ASSETS

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

46 TRANSFERRED FINANCIAL ASSETS (Continued)

Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

As at 30 June 2020, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB88,783 million (31 December 2019 RMB67,016 million). RMB15,271 million of this balance (31 December 2019: RMB11,855 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full de-recognition. The remaining balance of RMB73,512 million (31 December 2019: RMB55,161 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 30 June 2020, the Group continued to recognize assets of RMB11,571 million (31 December 2019: RMB6,923 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Transfer of non-performing loans

During the period ended 30 June 2020, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB13,486 million (During the period ended 30 June 2019: RMB21,338 million). The Group concluded that these transferred assets qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 30 June 2020, of these collateral pledged disclosed in Note 45 Contingent Liabilities and Commitments — Collateral, RMB2,836 million (31 December 2019: RMB2,955 million) represented debt securities whereby legal title has been transferred to counterparties.

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 30 June 2020, the carrying amount of debt securities lent to counterparties was RMB26,265 million (31 December 2019: RMB12,368 million).

47 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

47.1 Credit risk

Credit risk management

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

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

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 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.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 June 2020 was RMB22,013 million (During the period ended 30 June 2019: RMB23,595 million). The Group still seeks to recover amounts it legally owned in full, but which have been written off due to no reasonable expectation of full recovery.

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control. The Group balanced the COVID-19 prevention and control with the collection and disposal of non performing loans, while making more efforts to dispose of non-performing loans to maintain its asset quality stable.

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

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters model and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

The Group assesses ECL in light of forward-looking information and uses complex models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgments, assumptions and estimates where appropriate, including:

— Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL
— Parameters for measuring ECL
— Criteria for significant increase in credit risk and default definition
— Definition of credit-impaired financial asset
— Forward-looking information
— Estimation of future cash flows for Stage III wholesale credit assets

Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. The Group classified clients into wholesale clients and retail clients based on the nature of debtors. In performing the portfolio segmentation of wholesale credit assets, the Group considers the type of borrower, industry, loan usage, and security type. When performing the portfolio segmentation for retail credit assets, the Group considers loan product type and security type to ensure the reliability of its credit risk segmentation.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The key parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analyzes of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Measurement of ECL** (Continued)*

Parameters for measuring ECL (Continued)

The parameters are defined as follows:

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12m PD"), or over the remaining lifetime ("Lifetime PD") of the obligation;

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12m EAD") or over the remaining lifetime ("Lifetime EAD").

— LGD represents the Group's expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether or not there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Criteria for significant increase in credit risk ("SICR") and default definition (Continued)

The Group sets quantitative and qualitative criteria to determine whether or not the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria include changes in the borrower's PD, changes in its credit risk classification and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the borrower's PD rises to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been a significant increase in credit risk when the credit grade falls at least 6 notches. According to IFRS 9, a backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk.

Definition of credit-impaired financial asset

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instruments, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as a default or past due event in relation to interest or principal payment;

— The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— The disappearance of an active market for that financial asset because of financial difficulties;

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

— The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Forward-looking information

The assessment of whether or not there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various portfolio. Key economic indicators include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Industrial Added Value, etc.

The impact of these economic indicators on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analyzes to determine the correlation between these economic indicators and the PDs and LGDs. The Group assess and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses results. Considering the impact of COVID-19 on the macro economy, the Group updated the forecasts of the economic indicators during the reporting period. Among the forecasted economic indicators, the core economic indicator GDP of base scenario aligned with the forecast data of the domestic research institution.

Based on statistical analyzes and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding macro-economic forecast under each scenario. The weighting of base scenario is greater than the aggregated weightings of the rest scenarios. The Group uses the weighted 12-month ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

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

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

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

	30 June 2020	31 December 2019
Balances with central banks	**2,289,084**	2,606,967
Deposits with banks and other financial institutions	**449,156**	235,742
Placements with and loans to banks and other financial institutions	**525,012**	523,183
Derivative financial assets	**20,427**	24,944
Financial assets held under resale agreements	**650,799**	708,551
Loans and advances to customers	**13,956,264**	12,819,610
Financial investments		
Financial asset at fair value through profit or loss	**752,869**	693,758
Debt instrument investments at amortized cost	**5,170,218**	4,946,741
Other debt instrument investments at fair value through other comprehensive income	**1,808,684**	1,671,746
Other financial assets	**137,293**	81,809
Subtotal	**25,759,806**	24,313,051
Loan commitments and financial guarantee contracts	**2,740,753**	2,384,815
Total	**28,500,559**	26,697,866

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

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

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

The main types of collateral obtained are as follows:

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

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

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

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

Loans and advances to customers (i)

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

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

	30 June 2020		31 December 2019	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Head Office	**274,691**	**3.2**	318,970	4.0
Yangtze River Delta	**1,934,553**	**22.3**	1,710,643	21.6
Pearl River Delta	**1,098,686**	**12.7**	960,384	12.1
Bohai Rim	**1,290,123**	**14.9**	1,198,828	15.2
Central China	**1,241,828**	**14.3**	1,125,021	14.2
Western China	**2,040,723**	**23.6**	1,886,512	23.8
Northeastern China	**338,684**	**3.9**	316,802	4.0
Overseas and Others	**440,706**	**5.1**	404,759	5.1
Subtotal	**8,659,994**	**100.0**	7,921,919	100.0
Personal loans and advances				
Head Office	**48**	**–**	55	–
Yangtze River Delta	**1,383,371**	**23.7**	1,286,246	23.8
Pearl River Delta	**1,257,401**	**21.5**	1,176,564	21.8
Bohai Rim	**855,986**	**14.6**	802,153	14.8
Central China	**939,171**	**16.1**	857,033	15.9
Western China	**1,195,302**	**20.4**	1,083,958	20.0
Northeastern China	**199,092**	**3.4**	186,464	3.4
Overseas and Others	**20,432**	**0.3**	15,154	0.3
Subtotal	**5,850,803**	**100.0**	5,407,627	100.0
Gross loans and advances to customers	**14,510,797**		13,329,546	

(i) The below information does not include accrued interests of loans and advances to customers.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

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

	30 June 2020		31 December 2019	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	**1,797,067**	**20.8**	1,689,787	21.3
Manufacturing	**1,470,499**	**17.0**	1,291,327	16.3
Leasing and commercial services	**1,177,854**	**13.6**	1,047,843	13.2
Production and supply of power, heat, gas and water	**911,409**	**10.5**	900,036	11.4
Real estate	**791,152**	**9.1**	704,973	8.9
Finance	**618,384**	**7.1**	623,570	7.9
Water, environment and public utilities management	**584,353**	**6.7**	517,448	6.5
Retail and wholesale	**466,427**	**5.5**	386,064	4.9
Construction	**271,308**	**3.1**	233,961	2.9
Mining	**209,574**	**2.4**	212,201	2.7
Others	**361,967**	**4.2**	314,709	4.0
Subtotal	**8,659,994**	**100.0**	7,921,919	100.0
Personal loans and advances				
Residential mortgage	**4,422,600**	**75.6**	4,163,293	77.0
Personal business	**346,931**	**5.9**	264,980	4.9
Personal consumption	**182,174**	**3.1**	181,234	3.3
Credit cards	**485,416**	**8.3**	475,001	8.8
Others	**413,682**	**7.1**	323,119	6.0
Subtotal	**5,850,803**	**100.0**	5,407,627	100.0
Gross loans and advances to customers	**14,510,797**		13,329,546	

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

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

	30 June 2020			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,637,525	845,135	1,554,899	4,037,559
Guaranteed loans	604,557	387,382	588,119	1,580,058
Loans secured by collateral	1,021,371	479,900	5,142,790	6,644,061
Pledged loans	646,304	103,783	1,499,032	2,249,119
Total	**3,909,757**	**1,816,200**	**8,784,840**	**14,510,797**

	31 December 2019			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,274,211	765,757	1,403,329	3,443,297
Guaranteed loans	692,480	430,558	733,377	1,856,415
Loans secured by collateral	861,640	418,293	4,618,803	5,898,736
Pledged loans	657,142	102,480	1,371,476	2,131,098
Total	3,485,473	1,717,088	8,126,985	13,329,546

(4) Past due loans

	30 June 2020					
	Up to 30 days	31–90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,876	4,150	11,123	4,182	1,760	27,091
Guaranteed loans	7,489	1,664	12,684	11,123	3,313	36,273
Loans secured by collateral	31,628	19,262	33,611	24,344	7,620	116,465
Pledged loans	1,519	1,142	4,077	5,029	1,598	13,365
Total	**46,512**	**26,218**	**61,495**	**44,678**	**14,291**	**193,194**

	31 December 2019					
	Up to 30 days	31–90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,326	3,416	7,957	4,206	1,287	22,192
Guaranteed loans	13,441	3,554	13,259	10,899	3,090	44,243
Loans secured by collateral	28,893	14,514	25,747	25,865	8,396	103,415
Pledged loans	1,733	241	2,687	6,817	1,665	13,143
Total	49,393	21,725	49,650	47,787	14,438	182,993

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

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

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

(5) Credit quality of loans and advances to customers

As at 30 June 2020 and 31 December 2019, the credit quality of loans and advances to customers by stages is disclosed in Note 21.

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after modified, so that the assets are moved from Stage 3 or Stage 2 to Stage 1, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

In order to collect loans as much as possible, the Group may renegotiate the terms of the contract with borrowers because of deterioration in their financial position, or of the inability to meet their original repayment schedule. Such contract modifications include roll over of loan, extension of non-payment period or repayment period. Based on the management's judgment of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. In most cases, medium and long-term loans are considered to reschedule. Rescheduled loans should be reviewed after at least 6 months of observation and reach the corresponding stage classification criteria. Concessions are given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Rescheduled loans and advances of the Group as at 30 June 2020 amounted to RMB54,136 million (31 December 2019: RMB57,266 million).

During the period ended 30 June 2020, as a result of debt-for-equity swaps, the Group recognized ordinary shares of RMB1,162 million (during the period ended 30 June 2019: RMB1,737 million). The loss associated with these debt-for-equity swaps was not significant.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

(7) Assets foreclosed under credit enhancement arrangement

Such assets are disclosed as foreclosed assets in Note 22.1 Financial assets at fair value through profit or loss and Note 26 Other assets.

Debt instruments

(1) Credit quality of debt instruments

Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instruments at fair value through other comprehensive income were disclosed in Note 22.2 and Note 22.3, respectively.

(2) Debt instruments analyzed by credit rating

The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts and having significant impact on the repayment of debt according to contract terms.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Debt instruments *(Continued)*

*(2) **Debt instruments analyzed by credit rating** (Continued)*

The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows:

	30 June 2020			
Credit grade	**Low**	**Medium**	**High**	**Total**
Debt securities issued by:				
— Governments	**3,849,591**	**–**	**–**	**3,849,591**
— Public sector and quasi-governments	**1,515,717**	**–**	**–**	**1,515,717**
— Financial institutions	**849,682**	**–**	**–**	**849,682**
— Corporates	**322,184**	**–**	**70**	**322,254**
Receivable from the MOF	**312,165**	**–**	**–**	**312,165**
Special government bond	**95,172**	**–**	**–**	**95,172**
Other	**33,090**	**1,070**	**161**	**34,321**
Total	**6,977,601**	**1,070**	**231**	**6,978,902**

	As at 31 December 2019			
Credit grade	Low	Medium	High	Total
Debt securities issued by				
— Governments	3,540,555	–	–	3,540,555
— Public sector and quasi-governments	1,562,706	–	–	1,562,706
— Financial institutions	784,479	–	–	784,479
— Corporates	294,375	–	221	294,596
Receivable from the MOF	307,723	–	–	307,723
Special government bond	94,127	–	–	94,127
Others	32,983	1,164	154	34,301
Total	6,616,948	1,164	375	6,618,487

The ratings above were internal ratings obtained from the Group, financial assets at fair value through profit or loss was not included in the credit grade table above.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk

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

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

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate liquid asset position;

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

— Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

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

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

	30 June 2020								
	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	–	63,780	10,128	4,764	15,411	–	–	2,278,033	2,372,116
Deposits with banks and other financial institutions	–	91,608	36,587	62,527	245,342	13,092	–	–	449,156
Placements with and loans to banks and other financial institutions	15	–	188,921	105,116	157,036	68,352	5,572	–	525,012
Derivative financial assets	–	–	2,634	3,048	12,787	1,819	139	–	20,427
Financial assets held under resale agreements	3,872	–	532,707	69,219	45,001	–	–	–	650,799
Loans and advances to customers	20,020	–	510,879	678,846	3,142,895	2,724,992	6,878,632	–	13,956,264
Financial assets at fair value through profit or loss	–	11,656	126,540	136,806	226,613	109,701	120,907	132,856	865,079
Debt instrument investments at amortized cost	–	–	61,163	131,298	478,160	2,581,692	1,917,905	–	5,170,218
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	47,187	86,682	477,598	836,260	360,957	3,849	1,812,533
Other financial assets	3,353	120,587	3,981	1,047	2,204	215	75	5,831	137,293
Total financial assets	27,260	287,631	1,520,727	1,279,353	4,803,047	6,336,123	9,284,187	2,420,569	25,958,897
Borrowings from central banks	–	(30)	(113,361)	(149,043)	(373,309)	–	–	–	(635,743)
Deposits from banks and other financial institutions	–	(937,894)	(32,309)	(81,296)	(49,006)	(184,702)	–	–	(1,285,207)
Placements from banks and other financial institutions	–	–	(119,501)	(125,937)	(88,373)	(4,037)	(6,620)	–	(344,468)
Financial liabilities at fair value through profit or loss	–	(15,338)	(27,419)	–	–	–	–	–	(42,757)
Derivative financial liabilities	–	–	(7,746)	(5,427)	(13,281)	(4,876)	(1,564)	–	(32,894)
Financial assets sold under repurchase agreements	–	–	(10,738)	(13,012)	(7,270)	–	–	–	(31,020)
Due to customers	–	(11,858,829)	(571,870)	(1,041,111)	(3,410,253)	(3,481,034)	(1)	–	(20,363,098)
Debt securities issued	–	–	(83,303)	(249,771)	(371,139)	(84,133)	(349,581)	–	(1,137,927)
Other financial liabilities	–	(194,638)	(4,007)	(1,924)	(9,207)	(29,026)	(58,696)	(3,201)	(300,699)
Total financial liabilities	–	(13,006,729)	(970,254)	(1,667,521)	(4,321,838)	(3,787,808)	(416,462)	(3,201)	(24,173,813)
Net position	27,260	(12,719,098)	550,473	(388,168)	481,209	2,548,315	8,867,725	2,417,368	1,785,084

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

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

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

	31 December 2019								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	486,535	9,125	6,831	14,476	–	–	2,182,928	2,699,895
Deposits with banks and other financial institutions	–	90,556	33,022	20,772	90,234	1,158	–	–	235,742
Placements with and loans to banks and other financial institutions	14	–	207,602	155,974	135,902	22,298	1,393	–	523,183
Derivative financial assets	–	–	2,703	4,508	17,107	572	54	–	24,944
Financial assets held under resale agreements	3,872	–	681,579	22,323	777	–	–	–	708,551
Loans and advances to customers	18,973	–	558,669	623,929	2,673,083	2,572,187	6,372,769	–	12,819,610
Financial assets at fair value through profit or loss	–	10,066	39,013	148,812	264,557	104,287	123,340	111,286	801,361
Debt instrument investments at amortized cost	–	–	57,686	118,976	473,032	2,623,065	1,673,982	–	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	57,974	93,069	409,965	805,881	304,857	3,082	1,674,828
Other financial assets	3,030	71,148	1,371	1,449	2,028	221	1	2,561	81,809
Total financial assets	25,889	658,305	1,648,744	1,196,643	4,081,161	6,129,669	8,476,396	2,299,857	24,516,664
Borrowings from central banks	–	(30)	(14,626)	(36)	(593,394)	(450)	–	–	(608,536)
Deposits from banks and other financial institutions	–	(904,887)	(82,729)	(228,049)	(194,638)	(93,346)	(260)	–	(1,503,909)
Placements from banks and other financial institutions	–	–	(129,237)	(112,198)	(72,581)	(4,058)	(7,289)	–	(325,363)
Financial liabilities at fair value through profit or loss	–	(14,147)	(6,681)	–	(3,505)	–	–	–	(24,333)
Derivative financial liabilities	–	–	(6,161)	(8,296)	(12,793)	(1,799)	(499)	–	(29,548)
Financial assets sold under repurchase agreements	–	–	(22,800)	(18,671)	(11,726)	–	–	–	(53,197)
Due to customers	–	(11,268,019)	(675,622)	(1,336,503)	(2,658,324)	(2,898,060)	(12,627)	–	(18,849,155)
Debt securities issued	–	–	(66,682)	(181,008)	(493,388)	(56,452)	(310,682)	–	(1,108,212)
Other financial liabilities	–	(159,787)	(76,761)	(2,011)	(4,472)	(8,823)	(721)	(2,705)	(255,280)
Total financial liabilities	–	(12,346,870)	(1,081,299)	(1,886,772)	(4,044,821)	(3,062,988)	(332,078)	(2,705)	(22,757,533)
Net position	25,889	(11,688,565)	567,445	(690,129)	36,340	3,066,681	8,144,318	2,297,152	1,759,131

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

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

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

	30 June 2020								
	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	–	63,780	10,128	4,764	15,411	–	–	2,278,033	2,372,116
Deposits with banks and other financial institutions	–	91,608	36,606	62,721	248,898	14,629	–	–	454,462
Placements with and loans to banks and other financial institutions	15	–	190,259	106,733	162,368	71,959	5,791	–	537,125
Financial assets held under resale agreements	3,872	–	566,040	69,365	45,497	–	–	–	684,774
Loans and advances to customers	88,781	–	582,550	812,088	3,711,889	4,407,134	10,284,499	–	19,886,941
Financial assets at fair value through profit or loss	–	11,656	126,956	139,121	235,320	133,417	137,955	132,856	917,281
Debt instrument investments at amortized cost	–	–	79,870	160,342	586,716	2,993,596	2,393,028	–	6,213,552
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	50,889	95,457	507,034	913,762	406,163	3,849	1,977,154
Other financial assets	–	120,587	3,981	1,047	2,204	215	75	5,831	133,940
Total non-derivative financial assets	92,668	287,631	1,647,279	1,451,638	5,515,337	8,534,712	13,227,511	2,420,569	33,177,345
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(113,586)	(149,949)	(378,773)	–	–	–	(642,338)
Deposits from banks and other financial institutions	–	(937,894)	(32,344)	(81,863)	(51,224)	(203,592)	–	–	(1,306,917)
Placements from banks and other financial institutions	–	–	(119,574)	(126,351)	(89,220)	(5,184)	(6,576)	–	(346,905)
Financial liabilities at fair value through profit or loss	–	(15,338)	(27,432)	–	–	–	–	–	(42,770)
Financial assets sold under repurchase agreements	–	–	(10,741)	(13,049)	(7,289)	–	–	–	(31,079)
Due to customers	–	(11,858,922)	(573,047)	(1,045,295)	(3,463,414)	(3,751,833)	(1)	–	(20,692,512)
Debt securities issued	–	–	(83,413)	(250,816)	(392,564)	(147,735)	(403,388)	–	(1,277,916)
Other financial liabilities	–	(194,543)	(3,455)	(1,927)	(9,260)	(29,522)	(58,901)	(3,201)	(300,809)
Total non-derivative financial liabilities	–	(13,006,727)	(963,592)	(1,669,250)	(4,391,744)	(4,137,866)	(468,866)	(3,201)	(24,641,246)
Net position	92,668	(12,719,096)	683,687	(217,612)	1,123,593	4,396,846	12,758,645	2,417,368	8,536,099

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

***Analysis of the undiscounted contractual cash flows** (Continued)*

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 (Continued):

	31 December 2019								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	486,535	9,125	6,831	14,476	–	–	2,182,928	2,699,895
Deposits with banks and other financial institutions	–	90,556	33,047	20,884	91,763	1,158	–	–	237,408
Placements with and loans to banks and other financial institutions	14	–	208,566	157,415	136,766	22,413	1,451	–	526,625
Financial assets held under resale agreements	3,872	–	683,342	22,448	789	–	–	–	710,451
Loans and advances to customers	88,732	–	631,700	748,273	3,215,778	4,256,241	9,640,739	–	18,581,463
Financial assets at fair value through profit or loss	–	10,066	39,068	150,739	273,575	127,220	140,773	116,474	857,915
Debt instrument investments at amortized cost	–	–	71,325	142,840	586,483	3,014,522	1,977,753	–	5,792,923
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	60,246	98,418	443,923	881,095	339,239	2,050	1,824,971
Other financial assets	–	71,148	1,371	1,449	2,028	221	1	2,561	78,779
Total non-derivative financial assets	92,618	658,305	1,737,790	1,349,297	4,765,581	8,302,870	12,099,956	2,304,013	31,310,430
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(14,655)	(54)	(606,271)	(450)	–	–	(621,460)
Deposits from banks and other financial institutions	–	(904,885)	(82,724)	(229,529)	(199,427)	(97,725)	(260)	–	(1,514,550)
Placements from banks and other financial institutions	–	–	(129,391)	(112,804)	(72,530)	(5,506)	(8,194)	–	(328,425)
Financial liabilities at fair value through profit or loss	–	(14,147)	(6,691)	–	(3,540)	–	–	–	(24,378)
Financial assets sold under repurchase agreements	–	–	(22,813)	(18,722)	(11,878)	–	–	–	(53,413)
Due to customers	–	(11,268,210)	(677,446)	(1,341,855)	(2,694,078)	(3,107,445)	(15,256)	–	(19,104,290)
Debt securities issued	–	–	(67,271)	(186,093)	(516,177)	(115,060)	(365,107)	–	(1,249,708)
Other financial liabilities	–	(159,673)	(76,762)	(2,014)	(4,530)	(9,363)	(944)	(2,705)	(255,991)
Total non-derivative financial liabilities	–	(12,346,945)	(1,077,753)	(1,891,071)	(4,108,431)	(3,335,549)	(389,761)	(2,705)	(23,152,215)
Net position	92,618	(11,688,640)	660,037	(541,774)	657,150	4,967,321	11,710,195	2,301,308	8,158,215

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	30 June 2020					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives on a net basis	**(15)**	**(30)**	**(90)**	**(2,971)**	**(1,418)**	**(4,524)**

	31 December 2019					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives on a net basis	–	(5)	9	(852)	(427)	(1,275)

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	30 June 2020					
	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	**582,613**	**616,409**	**1,686,029**	**49,339**	**–**	**2,934,390**
— Cash outflow	**(588,080)**	**(619,474)**	**(1,689,561)**	**(49,532)**	**–**	**(2,946,647)**
Total	**(5,467)**	**(3,065)**	**(3,532)**	**(193)**	**–**	**(12,257)**

	31 December 2019					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	509,415	449,528	1,849,384	53,790	40	2,862,157
— Cash outflow	(512,826)	(453,343)	(1,845,114)	(54,222)	(54)	(2,865,559)
Total	(3,411)	(3,815)	4,270	(432)	(14)	(3,402)

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Off-balance sheet items

The off-balance sheet items primarily include loan commitments, bank acceptances, credit card commitments, guarantees and letters of guarantee and letters of credit. The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	30 June 2020			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	**243,296**	**288,277**	**656,926**	**1,188,499**
Bank acceptances	**505,320**	**–**	**–**	**505,320**
Credit card commitments	**682,896**	**–**	**–**	**682,896**
Guarantee and letters of guarantee	**100,763**	**112,887**	**11,442**	**225,092**
Letters of credit	**169,054**	**2,479**	**–**	**171,533**
Total	**1,701,329**	**403,643**	**668,368**	**2,773,340**

	31 December 2019			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	187,064	265,518	604,214	1,056,796
Bank acceptances	339,829	–	–	339,829
Credit card commitments	646,134	–	–	646,134
Guarantee and letters of guarantee	104,848	102,713	8,668	216,229
Letters of credit	148,334	2,706	–	151,040
Total	1,426,209	370,937	612,882	2,410,028

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk

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

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

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

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

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

Segregation of Trading Book and Banking Book

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

Market Risk Management for Trading Book

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

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

VaR Analysis for the Trading Book

Bank

		Six months ended 30 June 2020			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		**115**	**88**	**164**	**52**
Exchange rate risk	(1)	**200**	**161**	**200**	**90**
Commodity risk		**87**	**48**	**87**	**9**
Overall VaR		**256**	**188**	**256**	**117**

		Six months ended 30 June 2019			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		78	98	116	78
Exchange rate risk	(1)	153	118	156	62
Commodity risk		13	19	25	5
Overall VaR		170	145	172	98

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 precious metal. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

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

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Market Risk Management for Banking Book

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

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the bank's book value to suffer losses. The Bank's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Bank's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

Since LPR reform of the PBOC, the Bank, according to regulatory requirements, implemented relevant policies, by upgrading our business system, revising standard loan contract, improving the pricing mechanism for internal and external interest rates, and comprehensively promoting application of LPR, accomplishing in general the application of LPR method for loan pricing and during the whole process. After the reform of LPR, the benchmark interest rate was more connected with the market interest rate and the frequency and range of fluctuation both increased. The Bank strengthened monitoring and forecast of the external interest rate environment, timely adjusted the pricing strategies for internal and external interest rates, improved the product portfolio and term structure of assets and liabilities and actively adjusted the risk structure by using interest rate options, so as to reduce the adverse effect of interest rate changes on our economic value and income. During the reporting period, the Bank's overall interest rate risk remained stable with all risk exposure limits kept within the ranges of regulatory requirements and our management objectives.

Foreign Exchange Rate Risk Management

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

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

Market Risk Exposure Limit Management

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	30 June 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,305,922	53,105	1,263	11,826	2,372,116
Deposits with banks and other financial institutions	379,541	49,660	2,541	17,414	449,156
Placements with and loans to banks and other financial institutions	201,730	258,173	41,669	23,440	525,012
Derivative financial assets	3,214	11,706	211	5,296	20,427
Financial assets held under resale agreements	650,799	–	–	–	650,799
Loans and advances to customers	13,427,521	411,158	48,745	68,840	13,956,264
Financial assets at fair value through profit or loss	824,657	10,888	8,265	21,269	865,079
Debt instrument investments at amortized cost	5,103,029	56,135	4,667	6,387	5,170,218
Other debt instrument and other equity investments at fair value through other comprehensive income	1,555,093	219,830	4,097	33,513	1,812,533
Other financial assets	120,089	11,204	2,660	3,340	137,293
Total financial assets	24,571,595	1,081,859	114,118	191,325	25,958,897
Borrowings from central banks	(635,286)	–	–	(457)	(635,743)
Deposits from banks and other financial institutions	(1,215,037)	(31,032)	(21,898)	(17,240)	(1,285,207)
Placements from banks and other financial institutions	(49,195)	(231,813)	(32,649)	(30,811)	(344,468)
Financial liabilities at fair value through profit or loss	(42,757)	–	–	–	(42,757)
Derivative financial liabilities	(23,099)	(8,658)	(239)	(898)	(32,894)
Financial assets sold under repurchase agreements	(4,187)	(18,883)	–	(7,950)	(31,020)
Due to customers	(19,882,086)	(420,509)	(30,539)	(29,964)	(20,363,098)
Debt securities issued	(812,359)	(257,601)	(22,226)	(45,741)	(1,137,927)
Other financial liabilities	(278,823)	(17,451)	(1,751)	(2,674)	(300,699)
Total financial liabilities	(22,942,829)	(985,947)	(109,302)	(135,735)	(24,173,813)
Net on-balance sheet position	1,628,766	95,912	4,816	55,590	1,785,084
Net notional amount of derivatives	302,918	(95,326)	7,658	(22,603)	192,647
Loan commitments and financial guarantee contracts	2,518,913	216,359	7,672	30,396	2,773,340

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Foreign exchange rate risk *(Continued)*

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows (Continued):

	31 December 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,634,765	53,709	1,041	10,380	2,699,895
Deposits with banks and other financial institutions	168,817	44,574	4,605	17,746	235,742
Placements with and loans to banks and other financial institutions	292,023	163,495	43,886	23,779	523,183
Derivative financial assets	10,628	13,473	194	649	24,944
Financial assets held under resale agreements	708,551	–	–	–	708,551
Loans and advances to customers	12,348,706	348,051	51,769	71,084	12,819,610
Financial assets at fair value through profit or loss	777,121	10,887	10,441	2,912	801,361
Debt instrument investments at amortized cost	4,870,459	61,071	7,982	7,229	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	1,426,703	211,441	3,439	33,245	1,674,828
Other financial assets	71,130	7,601	1,336	1,742	81,809
Total financial assets	23,308,903	914,302	124,693	168,766	24,516,664
Borrowings from central banks	(608,086)	–	–	(450)	(608,536)
Deposits from banks and other financial institutions	(1,429,626)	(35,573)	(16,058)	(22,652)	(1,503,909)
Placements from banks and other financial institutions	(48,504)	(205,326)	(52,490)	(19,043)	(325,363)
Financial liabilities at fair value through profit or loss	(20,828)	(3,505)	–	–	(24,333)
Derivative financial liabilities	(17,558)	(11,054)	(159)	(777)	(29,548)
Financial assets sold under repurchase agreements	(14,315)	(31,638)	–	(7,244)	(53,197)
Due to customers	(18,432,646)	(357,021)	(36,907)	(22,581)	(18,849,155)
Debt securities issued	(797,166)	(244,866)	(25,539)	(40,641)	(1,108,212)
Other financial liabilities	(242,710)	(8,318)	(1,360)	(2,892)	(255,280)
Total financial liabilities	(21,611,439)	(897,301)	(132,513)	(116,280)	(22,757,533)
Net on-balance sheet position	1,697,464	17,001	(7,820)	52,486	1,759,131
Net notional amount of derivatives	126,517	22,665	(6,186)	(42,246)	100,750
Loan commitments and financial guarantee contracts	2,141,071	230,196	5,450	33,311	2,410,028

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the condensed consolidated interim statement of financial position.

Group	30 June 2020		31 December 2019	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
5% appreciation	**(485)**	**(466)**	(938)	(298)
5% depreciation	**485**	**466**	938	298

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, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established RMB Loan Prime Rate to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors.

The Group manages its interest rate risk by:

— Strengthen the pre-judgment of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;

— Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-bearing liabilities; and

— Implement limit management to control the impact of interest rate changes on the economic value and overall income of banking books within the limits.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk (Continued)

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

	30 June 2020						
	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	2,037,495	3,842	15,411	–	–	315,368	2,372,116
Deposits with banks and other financial institutions	123,349	62,291	244,058	13,092	–	6,366	449,156
Placements with and loans to banks and other financial institutions	211,493	164,268	136,957	10,104	–	2,190	525,012
Derivative financial assets	–	–	–	–	–	20,427	20,427
Financial assets held under resale agreements	532,502	68,974	44,919	–	–	4,404	650,799
Loans and advances to customers	1,352,786	1,803,388	10,005,929	465,485	291,204	37,472	13,956,264
Financial assets at fair value through profit or loss	137,079	135,468	219,128	100,909	113,634	158,861	865,079
Debt instrument investments at amortized cost	107,721	122,653	460,513	2,490,443	1,893,464	95,424	5,170,218
Other debt instrument and other equity investments at fair value through other comprehensive income	134,617	87,015	457,671	754,949	353,925	24,356	1,812,533
Other financial assets	–	–	–	–	–	137,293	137,293
Total financial assets	4,637,042	2,447,899	11,584,586	3,834,982	2,652,227	802,161	25,958,897
Borrowings from central banks	(110,000)	(144,900)	(367,710)	–	–	(13,133)	(635,743)
Deposits from banks and other financial institutions	(967,726)	(79,545)	(46,740)	(182,198)	–	(8,998)	(1,285,207)
Placements from banks and other financial institutions	(121,589)	(128,552)	(89,461)	(3,401)	–	(1,465)	(344,468)
Financial liabilities at fair value through profit or loss	(27,407)	–	–	–	–	(15,350)	(42,757)
Derivative financial liabilities	–	–	–	–	–	(32,894)	(32,894)
Financial assets sold under repurchase agreements	(10,710)	(12,952)	(7,211)	–	–	(147)	(31,020)
Due to customers	(12,347,519)	(1,022,052)	(3,328,369)	(3,380,475)	(1)	(284,682)	(20,363,098)
Debt securities issued	(125,639)	(243,628)	(364,632)	(53,274)	(344,931)	(5,823)	(1,137,927)
Other financial liabilities	–	–	–	–	–	(300,699)	(300,699)
Total financial liabilities	(13,710,590)	(1,631,629)	(4,204,123)	(3,619,348)	(344,932)	(663,191)	(24,173,813)
Interest rate gap	(9,073,548)	816,270	7,380,463	215,634	2,307,295	138,970	1,785,084

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk *(Continued)*

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

	31 December 2019						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,403,893	5,799	14,476	–	–	275,727	2,699,895
Deposits with banks and other financial institutions	112,905	20,406	88,805	–	–	13,626	235,742
Placements with and loans to banks and other financial institutions	209,698	154,261	134,853	21,083	–	3,288	523,183
Derivative financial assets	–	–	–	–	–	24,944	24,944
Financial assets held under resale agreements	681,875	22,294	774	–	–	3,608	708,551
Loans and advances to customers	5,502,472	1,574,291	5,115,754	343,985	252,466	30,642	12,819,610
Financial assets at fair value through profit or loss	42,784	152,133	255,866	113,428	105,131	132,019	801,361
Debt instrument investments at amortized cost	75,653	140,993	452,172	2,532,585	1,650,204	95,134	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	87,962	142,570	400,393	723,583	299,052	21,268	1,674,828
Other financial assets	–	–	–	–	–	81,809	81,809
Total financial assets	9,117,242	2,212,747	6,463,093	3,734,664	2,306,853	682,065	24,516,664
Borrowings from central banks	(14,200)	(33)	(586,915)	(455)	–	(6,933)	(608,536)
Deposits from banks and other financial institutions	(987,313)	(226,516)	(193,695)	(91,472)	(260)	(4,653)	(1,503,909)
Placements from banks and other financial institutions	(128,699)	(114,216)	(73,762)	(3,361)	(3,689)	(1,636)	(325,363)
Financial liabilities at fair value through profit or loss	(6,684)	–	(3,505)	–	–	(14,144)	(24,333)
Derivative financial liabilities	–	–	–	–	–	(29,548)	(29,548)
Financial assets sold under repurchase agreements	(22,680)	(18,554)	(11,631)	–	–	(332)	(53,197)
Due to customers	(11,854,959)	(1,298,677)	(2,596,724)	(2,804,783)	(12,502)	(281,510)	(18,849,155)
Debt securities issued	(84,224)	(212,941)	(478,509)	(20,551)	(303,405)	(8,582)	(1,108,212)
Other financial liabilities	–	–	–	–	–	(255,280)	(255,280)
Total financial liabilities	(13,098,759)	(1,870,937)	(3,944,741)	(2,920,622)	(319,856)	(602,618)	(22,757,533)
Interest rate gap	(3,981,517)	341,810	2,518,352	814,042	1,986,997	79,447	1,759,131

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk *(Continued)*

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net Interest Income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

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

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument and other equity investments at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	30 June 2020		31 December 2019	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(52,476)**	**(44,648)**	(25,607)	(42,579)
–100 basis points	**52,476**	**44,648**	25,607	42,579

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.4 Country Risk

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

According to the regulatory requirements of CBIRC, the Group managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. In the meanwhile, the Group fully considered the impact of country risk on asset quality, accurately identified, reasonably assessed and prudently estimated the asset loss that may be caused by country risk. Corresponding provisions were also made for country risk impairment.

47.5 Insurance risk

The Group engages in its insurance business primarily in Mainland China. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

48 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

The "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC in 2012 includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

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

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

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

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

In April 2014, the CBIRC officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. The CBIRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the advanced approach and the non-advanced approach, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

In January 2017, the CBIRC has officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC.

(Amounts in millions of Renminbi, unless otherwise stated)

48 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC as at the end of the reporting period is as follows:

		30 June 2020	31 December 2019
Common Equity Tier-one Capital Adequacy Ratio	(1)	**10.87%**	11.24%
Tier-one Capital Adequacy Ratio	(1)	**12.60%**	12.53%
Capital Adequacy Ratio	(1)	**16.42%**	16.13%
Common Equity Tier-one Capital	(2)	**1,796,799**	1,748,467
Deductible Items from Common Equity Tier-one Capital	(3)	**(7,867)**	(7,883)
Net Common Equity Tier-one Capital		**1,788,932**	1,740,584
Additional Tier-one Capital	(4)	**284,887**	199,894
Net Tier-one Capital		**2,073,819**	1,940,478
Tier-two Capital	(5)	**629,536**	557,833
Net Capital		**2,703,355**	2,498,311
Risk-weighted Assets	(6)	**16,459,381**	15,485,352

Pursuant to the "Capital Rules for Commercial Banks (Provisional)":

(1) *The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.*

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) *The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), investment revaluation reserve, surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve.*

(3) *The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.*

(4) *The Group's Additional Tier-one Capital includes: preference shares issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).*

48 CAPITAL MANAGEMENT (Continued)

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

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 30 June 2020 and 31 December 2019.

49.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Departments records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The board of directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

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

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.2 Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

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

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreement and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

	30 June 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instruments investments at amortized cost (excluding receivable from the MOF and special government bond)	**4,762,880**	**4,882,563**	**27,395**	**4,677,852**	**177,316**
Financial liabilities					
Debt Securities Issued	**427,115**	**434,924**	**29,099**	**405,825**	**–**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.3 Financial assets and financial liabilities not measured at fair value on the condensed consolidated interim statement of financial position (Continued)

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instruments investments at amortized cost (excluding receivable from the MOF and special government bond)	4,544,892	4,627,432	33,506	4,403,618	190,308
Financial liabilities					
Debt Securities Issued	356,902	365,299	23,643	341,656	–

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

	30 June 2020			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	19,118	–	19,118
— Interest rate derivatives	–	1,278	–	1,278
— Precious metal contracts and others	–	31	–	31
Subtotal	–	20,427	–	20,427
Loans and advances to customers				
— Discounted bills and forfeiting	–	562,740	–	562,740
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	2,773	254,583	–	257,356
Precious metal contracts	–	30,514	–	30,514
Equity	2,960	–	–	2,960
Fund	9,575	–	–	9,575
— Other financial assets at fair value through profit or loss				
Bonds	–	85,782	2,286	88,068
Equity	2,881	22,650	72,062	97,593
Fund and others	2,066	6,989	17,799	26,854
— Financial assets designated at fair value through profit or loss				
Debt securities	10,264	177,095	–	187,359
Deposits with banks and other financial institutions	–	13,668	–	13,668
Placements with and loans to banks and other financial institutions	–	124,106	6,165	130,271
Others	–	–	20,861	20,861
Subtotal	30,519	715,387	119,173	865,079
Other debt instrument and other equity investments at fair value through other comprehensive income				
Debt instruments				
— Bonds	197,178	1,589,916	–	1,787,094
— Others	–	–	21,590	21,590
Equity instruments	1,125	–	2,724	3,849
Subtotal	198,303	1,589,916	24,314	1,812,533
Total assets	228,822	2,888,470	143,487	3,260,779

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The 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 (Continued).

	30 June 2020			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	–	(15,338)	–	(15,338)
Others	–	(441)	–	(441)
— Financial liabilities designated at fair value through profit or loss				
Principal guaranteed wealth management placements from banks and other financial institutions	–	–	(26,978)	(26,978)
Subtotal	–	(15,779)	(26,978)	(42,757)
Derivative financial liabilities				
— Exchange rate derivatives	–	(13,621)	–	(13,621)
— Interest rate derivatives	–	(5,839)	–	(5,839)
— Precious metal contracts	–	(13,434)	–	(13,434)
Subtotal	–	(32,894)	–	(32,894)
Due to customers				
Due to customers measured at fair value	–	(470,705)	(280,410)	(751,115)
Total liabilities	–	(519,378)	(307,388)	(826,766)

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The 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 (Continued).

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	24,128	–	24,128
— Interest rate derivatives	–	340	–	340
— Precious metal contracts and others	–	476	–	476
Subtotal	–	24,944	–	24,944
Loans and advances to customers				
— Discounted bills and forfeiting	–	540,387	–	540,387
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	2,190	199,269	–	201,459
Precious metal contracts	–	29,132	–	29,132
Equity	2,354	–	–	2,354
Fund	7,100	236	–	7,336
— Other financial assets at fair value through profit or loss				
Bonds	–	93,298	4,194	97,492
Equity	2,108	22,194	70,881	95,183
Fund and others	2,227	5,351	15,799	23,377
— Financial assets designated at fair value through profit or loss				
Debt securities	12,419	199,231	–	211,650
Deposits with banks and other financial institutions	–	28,207	–	28,207
Placements with and loans to banks and other financial institutions	–	99,174	5,010	104,184
Others	–	–	987	987
Subtotal	28,398	676,092	96,871	801,361
Other debt instruments and other equity at fair value through other comprehensive income				
Debt instruments				
— Bonds	200,203	1,452,949	–	1,653,152
— Others	–	–	18,594	18,594
Equity instruments	1,107	–	1,975	3,082
Subtotal	201,310	1,452,949	20,569	1,674,828
Total assets	229,708	2,694,372	117,440	3,041,520

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The 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 (Continued).

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	–	(14,147)	–	(14,147)
— Financial liabilities designated at fair value through profit or loss				
Principal guaranteed wealth management placements from banks and other financial institutions	–	–	(6,681)	(6,681)
Overseas debt securities	–	(3,505)	–	(3,505)
Subtotal	–	(17,652)	(6,681)	(24,333)
Derivative financial liabilities				
— Exchange rate derivatives	–	(20,382)	–	(20,382)
— Interest rate derivatives	–	(1,676)	–	(1,676)
— Precious metal contracts	–	(7,490)	–	(7,490)
Subtotal	–	(29,548)	–	(29,548)
Due to customers				
Due to customers measured at fair value	–	(146,474)	(306,294)	(452,768)
Total liabilities	–	(193,674)	(312,975)	(506,649)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, deposits with banks and other financial institutions, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts and structured deposit measured at fair value. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of deposits with banks and other financial institutions, currency forwards, currency swaps, interest rate swaps, currency options and structured deposit measured at fair value are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

Level 3 financial assets of the Group mainly represented underlying assets invested by principal-guaranteed WMPs issued by the Group including placements with and loans to banks and other financial institutions and credit assets. The counterparties of these placements are primarily commercial banks and non-bank financial institutions in Mainland China. The credit assets are loans and advances to corporate customers in Mainland China. Level 3 financial liabilities largely represented liabilities to the investors of these products. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameter relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

There were no significant transfers amongst the different levels of the fair value hierarchy during the period ended 30 June 2020 and the year ended 31 December 2019.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

	Six month ended 30 June 2020			
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Due to customers measured at fair value
31 December 2019	96,871	20,569	(6,681)	(306,294)
Purchases	54,089	6,676	–	–
Issues	–	–	(30,351)	(683,942)
Settlements/disposals	(31,559)	(3,087)	10,358	714,136
Total gain/(loss) recognized in				
— Profit or loss	(228)	79	(304)	(4,310)
— Other comprehensive income	–	77	–	–
30 June 2020	119,173	24,314	(26,978)	(280,410)
Change in unrealized loss/(gain) for the period included in profit or loss for assets/liabilities held at the end of the year	(674)	–	(126)	–

	2019					
	Financial assets at fair value through profit or loss	Derivative Financial assets	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Due to customers measured at fair value
31 December 2018	65,029	33	15,568	(9,949)	(33)	(255,766)
Purchases	116,620	–	8,183	–	–	–
Issues	–	–	–	(103,160)	–	(1,453,314)
Settlements/disposals	(87,063)	(33)	(3,503)	106,543	33	1,410,824
Total gain/(loss) recognized in						
— Profit or loss	2,285	–	–	(115)	–	(8,038)
— Other comprehensive income	–	–	321	–	–	–
31 December 2019	96,871	–	20,569	(6,681)	–	(306,294)
Change in unrealized loss/(gain) for the period included in profit or loss for assets/liabilities held at the end of the year	1,004	–	–	89	–	(4)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net gain/(loss) on financial investments (Note 9) of the condensed consolidated interim income statement.

50 EVENTS AFTER THE REPORTING PERIOD

50.1 The Distribution of dividend on preference shares

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares amounting to RMB2,128 million in total was approved at the Board of Directors' Meeting held on 3 July 2020 and will be distributed on 5 November 2020.

50.2 The Issuance of Undated Capital Bonds

In August 2020, the Bank issued Agricultural Bank of China Limited 2020 Undated Additional Tier 1 Capital Bonds (Series 2) with the total amount of RMB35 billion. The proceeds from the issuance of the bonds will be used to replenish the Bank's additional Tier 1 capital.

50.3 The Distribution Payment of Undated Capital Bonds

A distribution payment related to the Agricultural Bank of China Limited 2019 Undated Additional Tier 1 Capital Bonds (Series 1), at the distribution rate of 4.39% with the total amount of RMB85 billion, amounting to RMB37.32 million in total was distributed on 20 August 2020.

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 2020	31 March 2020
Average Liquidity Coverage Ratio	**141.7%**	145.2%

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

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
30 June 2020				
Spot assets	**1,087,182**	**117,056**	**187,599**	**1,391,837**
Spot liabilities	**(977,289)**	**(109,063)**	**(134,837)**	**(1,221,189)**
Forward purchases	**1,339,852**	**35,685**	**72,758**	**1,448,295**
Forward sales	**(1,345,944)**	**(28,027)**	**(91,452)**	**(1,465,423)**
Net options position	**(89,234)**	**–**	**(3,909)**	**(93,143)**
Net long position	**14,567**	**15,651**	**30,159**	**60,377**
Net structural position	**6,255**	**6,961**	**3,119**	**16,335**

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2019				
Spot assets	926,373	127,888	169,753	1,224,014
Spot liabilities	(886,247)	(132,354)	(115,503)	(1,134,104)
Forward purchases	1,387,102	51,531	65,594	1,504,227
Forward sales	(1,278,984)	(57,717)	(104,180)	(1,440,881)
Net options position	(85,453)	–	(3,660)	(89,113)
Net long position	62,791	(10,652)	12,004	64,143
Net structural position	6,262	9,136	3,088	18,486

(Amounts in millions of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

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

International claims include balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through profit or loss, other debt instrument and other equity investments at fair value through other comprehensive income and debt instrument investments at amortized cost.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account of any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	**Official sector**	**Non-bank private sector**	**Total**
30 June 2020				
Asia Pacific	**94,736**	**34,453**	**260,964**	**390,153**
— of which attributable to Hong Kong	**24,165**	**13,463**	**183,594**	**221,222**
Europe	**29,623**	**21,080**	**71,763**	**122,466**
North and South America	**382,938**	**153,411**	**293,393**	**829,742**
Africa	**690**	**–**	**271**	**961**
Total	**507,987**	**208,944**	**626,391**	**1,343,322**

	Banks	Official sector	Non-bank private sector	Total
31 December 2019				
Asia Pacific	134,007	26,555	234,135	394,697
— of which attributable to Hong Kong	39,719	3,106	152,165	194,990
Europe	30,071	11,538	70,161	111,770
North and South America	340,094	78,862	241,315	660,271
Africa	654	–	116	770
Total	504,826	116,955	545,727	1,167,508

(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 2020	31 December 2019
Overdue		
within 3 months	**72,730**	71,118
between 3 and 6 months	**28,076**	16,799
between 6 and 12 months	**33,419**	32,851
over 12 months	**58,969**	62,225
Total	**193,194**	182,993
Percentage of overdue loans and advances to customers in total loans		
within 3 months	**0.50%**	0.53%
between 3 and 6 months	**0.19%**	0.12%
between 6 and 12 months	**0.23%**	0.25%
over 12 months	**0.41%**	0.47%
Total	**1.33%**	1.37%

(2) Overdue and rescheduled loans and advances to customers

	30 June 2020	31 December 2019
Total rescheduled loans and advances to customers	**54,136**	57,266
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**8,724**	11,166
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months to total loans	**0.06%**	0.08%

(3) Gross amount of overdue placements with and loans to banks and other financial institutions.

There were no overdue in the Group's placements with and loans to banks and other financial institutions as at 30 June 2020 and 31 December 2019.

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