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2021

INTERIM REPORT



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



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Definitions

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

1. A Share(s) Ordinary shares listed domestically which are subscribed and traded in Renminbi
2. ABC/Agricultural Bank of China/the Bank/the Group/We Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
3. CASs/PRC GAAP The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
4. CBIRC China Banking and Insurance Regulatory Commission, or its predecessors, the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, where the context requires
5. County Area(s) The county-level regions (excluding the district-level areas in the cities) in the People's Republic of China and the areas under their administration, including counties and county-level cities
6. County Area Banking Business We provide customers in the County Areas with a broad range of financial services through our branch outlets located in counties and county-level cities (i.e. County Areas) 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 Abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English Abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	GU Shu
Authorized representative	ZHANG Qingsong HAN Guoqiang
Secretary to the Board of Directors and Company Secretary	HAN Guoqiang 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 and website for information disclosure	<i>China Securities Journal</i> (www.cs.com.cn), <i>Shanghai Securities News</i> (www.cnstock.com), <i>Securities Times</i> (www.stcn.com) and <i>Securities Daily</i> (www.zqrb.com)
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 Stock name Stock code Share registrar	Shanghai Stock Exchange 農業銀行 601288 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 Stock name Stock code Share registrar	The Stock Exchange of Hong Kong Limited ABC 1288 Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong, PRC)

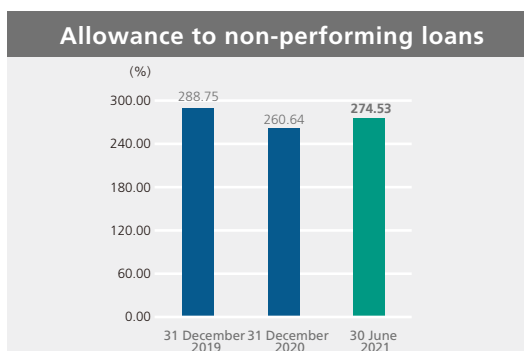
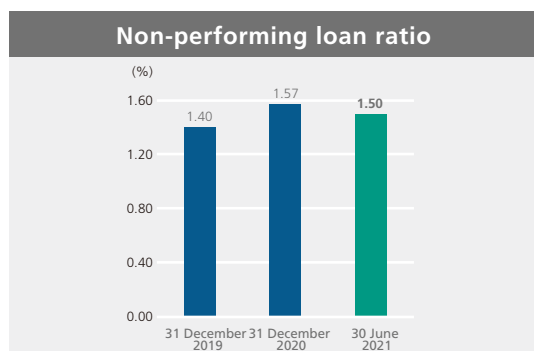
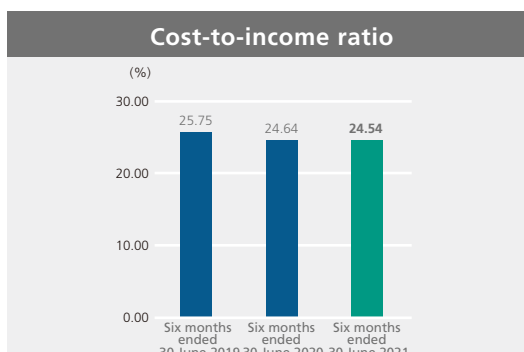
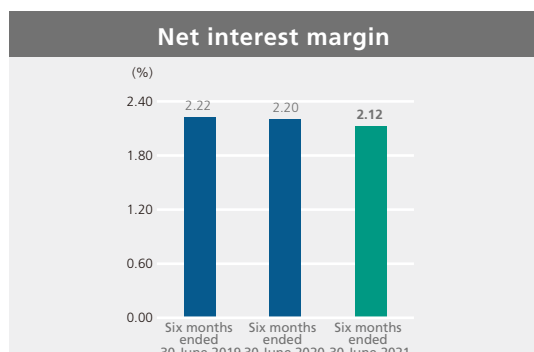
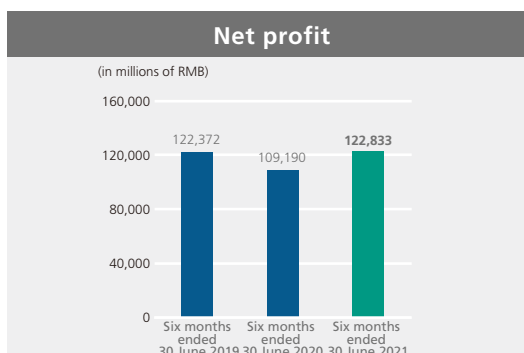
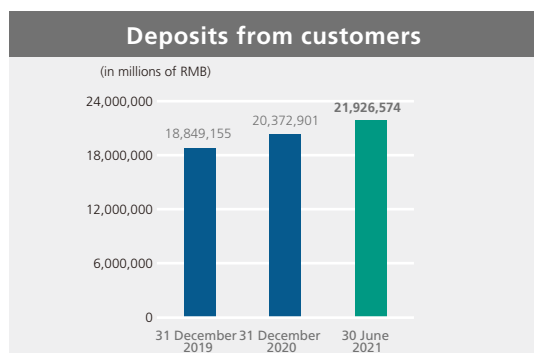
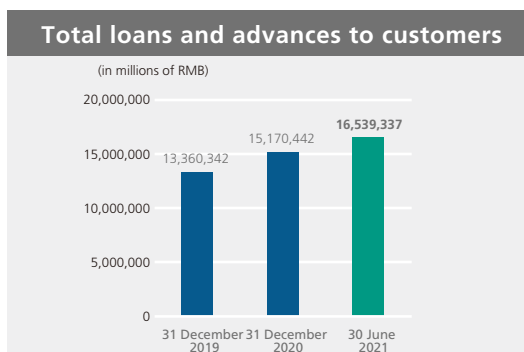
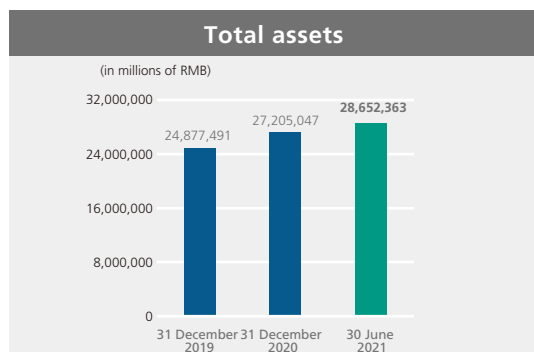
Basic Corporate Information and Major Financial Indicators

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 Address	King & Wood Mallesons 17–18/F, East Tower, World Financial Centre Building 1, No. 1 Dongsanhuan Zhong Road, Chaoyang District, Beijing, PRC
Legal advisor as to laws of Hong Kong, PRC Address	Fangda Partners 26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, PRC
Domestic auditor Address	KPMG Huazhen LLP 8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Name of the undersigned accountants	SHI Jian, SONG Chenyang
International auditor Address	KPMG 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, PRC

Basic Corporate Information and Major Financial Indicators

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)



Basic Corporate Information and Major Financial Indicators

Major Financial Data

	30 June 2021	31 December 2020	31 December 2019
At the end of the reporting period			
(in millions of RMB)			
Total assets	28,652,363	27,205,047	24,877,491
Total loans and advances to customers	16,539,337	15,170,442	13,360,342
Including: Corporate loans	9,007,698	8,134,487	7,095,770
Discounted bills	263,109	389,475	421,390
Retail loans	6,751,881	6,198,743	5,391,677
Overseas and others	478,023	413,416	419,913
Allowance for impairment losses on loans	679,031	618,009	540,578
Loans and advances to customers, net	15,860,306	14,552,433	12,819,764
Financial investments	7,967,035	7,822,659	7,422,930
Cash and balances with central banks	2,363,943	2,437,275	2,699,895
Deposits and placements with and loans to banks and other financial institutions	855,631	981,133	758,925
Financial assets held under resale agreements	878,226	816,206	708,551
Total liabilities	26,389,996	24,994,301	22,923,630
Deposits from customers	21,926,574	20,372,901	18,849,155
Including: Corporate deposits	8,169,127	7,618,591	7,196,002
Retail deposits	12,850,123	11,926,040	10,904,731
Overseas and others	629,479	562,741	517,440
Deposits and placements from banks and other financial institutions	1,762,265	1,785,176	1,829,272
Financial assets sold under repurchase agreements	27,127	109,195	53,197
Debt securities issued	1,442,284	1,371,845	1,108,212
Equity attributable to equity holders of the Bank	2,255,845	2,204,789	1,948,355
Net capital ¹	2,881,238	2,817,924	2,498,311
Common Equity Tier 1 (CET1) capital, net ¹	1,925,457	1,875,372	1,740,584
Additional Tier 1 capital, net ¹	319,884	319,884	199,894
Tier 2 capital, net ¹	635,897	622,668	557,833
Risk-weighted assets ¹	17,747,527	16,989,668	15,485,352
	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2019
Interim operating results (in millions of RMB)			
Operating income	366,254	339,774	324,467
Net interest income	283,357	267,009	244,220
Net fee and commission income	48,150	44,238	44,311
Operating expenses	116,691	108,043	105,153
Credit impairment losses	96,138	99,123	73,475
Total profit before tax	153,538	132,555	145,862
Net profit	122,833	109,190	122,372
Net profit attributable to equity holders of the Bank	122,278	108,834	121,445
Net cash flows generated from operating activities	161,165	(323,946)	(10,512)

Basic Corporate Information and Major Financial Indicators

Financial Indicators

	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2019
Profitability (%)			
Return on average total assets ²	0.88*	0.85*	1.05*
Return on weighted average net assets ³	12.40*	11.94*	14.57*
Net interest margin ⁴	2.12*	2.20*	2.22*
Net interest spread ⁵	1.96*	2.04*	2.08*
Return on risk-weighted assets ^{1,6}	1.38*	1.33*	1.66*
Net fee and commission income to operating income	13.15	13.02	13.66
Cost-to-income ratio ⁷	24.54	24.64	25.75
Data per share (RMB Yuan)			
Basic earnings per share ³	0.34	0.30	0.34
Diluted earnings per share ³	0.34	0.30	0.34
Net cash flows per share generated from operating activities	0.46	(0.93)	(0.03)
	30 June 2021	31 December 2020	31 December 2019
Asset quality (%)			
Non-performing loan ratio ⁸	1.50	1.57	1.40
Allowance to non-performing loans ⁹	274.53	260.64	288.75
Allowance to loan ratio ¹⁰	4.12	4.08	4.06
Capital adequacy (%)			
Common Equity Tier 1 (CET1) capital adequacy ratio ¹	10.85	11.04	11.24
Tier 1 capital adequacy ratio ¹	12.65	12.92	12.53
Capital adequacy ratio ¹	16.23	16.59	16.13
Risk-weighted assets to total assets ratio ¹	61.94	62.45	62.25
Total equity to total assets ratio	7.90	8.13	7.85
Data per share (RMB Yuan)			
Net assets per ordinary share ¹¹	5.53	5.39	5.00

- Notes: 1. Figures are 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 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 allowance for impairment losses on bills and forfeiting recognized in other comprehensive income.

Basic Corporate Information and Major Financial Indicators

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 allowance for impairment losses on bills and forfeiting recognized in 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 the reporting period.
12. According to the relevant regulatory requirements, credit card installment fee income and related expenses are reclassified from fee and commission income and expenses to interest income. The data in the comparative periods are adjusted and relevant financial indicators are also restated, accordingly.

* Annualized figures.

Other Financial Indicators

		Regulatory Standard	30 June 2021	31 December 2020	31 December 2019
Liquidity ratio ¹ (%)	RMB	≥25	59.10	59.15	57.74
	Foreign Currency	≥25	151.58	122.98	112.07
Percentage of loans to the largest single customer ² (%)		≤10	3.41	4.07	4.68
Percentage of loans to the top ten customers ³ (%)			12.57	12.58	13.83
Loan migration ratio ⁴ (%)	Normal		0.71	3.19	1.54
	Special mention		12.94	30.55	15.90
	Substandard		58.36	83.79	47.10
	Doubtful		6.25	20.46	8.82

- 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.

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Environment and Prospects

Since the beginning of 2021, China's economy has been on its way to a steady recovery with increasing endogenous growth momentum. The industrial production has continued to recover, the growth rate of high-tech manufacturing industry has accelerated, the market of service industry has been expected to continue to improve, and exports have maintained a relative rapid growth. The endogenous driving force such as consumption and investment in the manufacturing sector have gradually increased, which boost the pulling effect on the economy. In the first half of 2021, GDP increased by 12.7% year-on-year. The prices of consumer goods rose moderately with a year-on-year increase of 0.5% in the consumer price index (CPI), while the price of industrial products increased significantly, with the producer price index (PPI) rising by 5.1% year-on-year.

In the first half of 2021, the PRC government precisely implemented macro-economic policies and maintained the continuity, stability and sustainability of macro policies. The active fiscal policies focused on playing a leveraging role in optimizing the economic structure and a normalized mechanism of direct access to fiscal funds was implemented. Prudential monetary policies were flexible, precise, reasonable and appropriate. By using a variety of monetary policy tools to precisely regulate liquidity, the growth rate of monetary supply and social financing scale matched the growth rate of nominal economy and the macro leverage ratio maintained overall stable. The reform in the financial sector continued to deepen, the reform package of development and policy-oriented financial institutions was steadily progressed, the pilot program to facilitate trade foreign exchange receipts and payments was expanded and improved, and the financial regulatory policies highlighted the support for science and technology innovation, small and micro enterprises, green development and manufacturing, etc.

Looking ahead to the second half of 2021, the global economy is expected to continue its recovery. With China's further strengthened momentum of economic development, consumption and investment in the manufacturing sector will play supporting roles in the economic growth, and the economic recovery is expected to become more balanced. Maintaining a high level of economic prosperity is conducive for the banking industry to expand its business scopes. However, there are still many uncertainties and instabilities. The risk of the spread of mutated COVID-19 still severe, the high commodities price will have certain impact on midstream and downstream enterprises and external risks may also increase with the increasing expectations of developed economies' withdrawal of their policies.

In the second half of 2021, we will continue to adhere to our business orientation of serving the real economy, actively adjust our business strategies in response to the situation, continuously strengthen our financial support to sectors such as Sannong, small and micro enterprises, manufacturing sector and green economies, well arrange the pace and structure of availability of credit, continuously expand and optimize our financial services to our customers, strengthen risk management and control in key areas, and deepen reforms and transformations, through which to promote high-quality development of our business operation.

Discussion and Analysis

Digital Transformation

We actively promoted the construction of the Ten Projects of digital transformation, such as the digital village project and mobile banking project, achieving remarkable results in serving the real economy and effective improvement in customer experience and satisfaction.

First, our integrated management capability of online credit business was strengthened and the scale of online financing increased steadily. We formulated rules for Internet loans to comprehensively implement the regulatory requirements and further consolidate the management foundation. As of the end of June 2021, the balance of ABC E-loan reached RMB1.81 trillion, representing an increase of 38.2% as compared to the end of the previous year.

Second, our capability of online operation for customers was significantly improved and the customer experience was further optimized. We empowered our foundation-level branch outlets with digital technologies and promoted the integrated operation of all online and offline channels to offer uninterrupted and diversified services. We accelerated to optimize remote banking services, by completing the promotion of smart voice robots for the bank-wide customer service hotline and actively promoting the “cloud expert” for video customer service, which continuously improved the customer experience. As of the end of June 2021, the registered customers of personal mobile banking amounted to 0.38 billion, and the monthly active users (MAU) of personal mobile banking reached 0.12 billion.

Third, our scene-based financial service capability was steadily improved and more customer service scenes were built. We accelerated the expansion of the four high-frequency scenes including smart canteen, campus, party fees and government affairs. As of the end of June 2021, we had 0.3659 million Internet scenes, bringing in 54.64 million customers and 13.6453 million MAUs of mobile banking.

Fourth, our online marketing capability was further improved and our service coverage was further expanded. We realized closed-loop marketing of multiple products through our digital customer relationship management system (DCRM), with the sales amount increased by 13.66% year-on-year. As of the end of June 2021, the penetration rate of mobile banking to active retail customers was 13.86%, representing an increase of 1.77 percentage points as compared to the end of the previous year.

Fifth, our digital risk management and control capability was constantly improved and the integrated risk management was gradually realized. In the first half of the year, the intelligent anti-fraud platform monitored an average of 269 million transactions per day, realizing real-time blocking of large-volume and high-risk transactions. In addition, the functions of the “Beacon Platform”, the Bank’s digital risk management and control center, were constantly improved, which further promoted the 24-hour risk monitoring on all the businesses, customers, channels and processes.

Sixth, our data and technology foundation was continuously consolidated, which effectively ensured our business continuity. The construction and application of the Big Data platform was accelerated and the data analyst team was further expanded. We implemented the distributed cloud platform project, further promoted the construction of an integrated cloud platform, and focused on constructing the disaster recovery system, thereby comprehensively ensuring our business continuity.

In the second half of 2021, we will accelerate to form a new smart banking model that is technology-led, data-enabled and digitally-operated and create new competitive advantages in the digital era, striving to build ABC into a smart bank with first-class customer experience and the best in class digital eco-bank in Sannong and inclusive finance areas.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2021, we achieved a net profit of RMB122,833 million, representing an increase of RMB13,643 million or 12.5%, as compared to the first half of the previous year, and an average increase of 0.2% over the past two years.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Net interest income	283,357	267,009	16,348	6.1
Net fee and commission income	48,150	44,238	3,912	8.8
Other non-interest income	34,747	28,527	6,220	21.8
Operating income	366,254	339,774	26,480	7.8
Less: Operating expenses	116,691	108,043	8,648	8.0
Credit impairment losses	96,138	99,123	(2,985)	-3.0
Impairment losses on other assets	3	51	(48)	-94.1
Operating profit	153,422	132,557	20,865	15.7
Share of results of associates and joint ventures	116	(2)	118	–
Profit before tax	153,538	132,555	20,983	15.8
Less: Income tax expense	30,705	23,365	7,340	31.4
Net profit	122,833	109,190	13,643	12.5
Attributable to: Equity holders of the Bank	122,278	108,834	13,444	12.4
Non-controlling interests	555	356	199	55.9

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 77.4% of the operating income in the first half of 2021. Our net interest income was RMB283,357 million in the first half of 2021, representing an increase of RMB16,348 million as compared to the first half of the previous year, among which, changes in volume and interest rates resulted in an increase of RMB32,699 million and a decrease of RMB16,351 million in net interest income, respectively.

In the first half of 2021, our net interest margin and net interest spread were 2.12% and 1.96%, respectively, both representing decreases of eight basis points 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 average yield on loans and advances to customers as a result of the implementation of national policies on benefiting the real economy and the re-pricing of partial loans; and (2) an increase in average cost on deposits as a result of the market environment.

Discussion and Analysis

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 2021			Six months ended 30 June 2020		
	Average balance	Interest income/expense	Average yield/cost ⁷ (%)	Average balance	Interest income/expense	Average yield/cost ⁷ (%)
Assets						
Loans and advances to customers	15,966,009	336,144	4.25	14,000,301	310,235	4.46
Debt securities investments ¹	7,177,256	123,643	3.47	6,572,750	116,197	3.56
Non-restructuring-related debt securities	6,793,017	118,653	3.52	6,188,559	110,711	3.60
Restructuring-related debt securities ²	384,239	4,990	2.62	384,191	5,486	2.87
Balances with central banks	2,317,191	18,150	1.58	2,255,912	16,970	1.51
Amounts due from banks and other financial institutions ³	1,529,242	15,534	2.05	1,537,433	15,029	1.97
Total interest-earning assets	26,989,698	493,471	3.69	24,366,396	458,431	3.78
Allowance for impairment losses ⁴	(693,551)			(602,895)		
Non-interest-earning assets ⁴	1,637,328			1,322,668		
Total assets	27,933,475			25,086,169		
Liabilities						
Deposits from customers	20,240,329	159,674	1.59	18,207,059	137,981	1.52
Amounts due to banks and other financial institutions ⁵	2,091,223	21,153	2.04	2,172,041	25,173	2.33
Other interest-bearing liabilities ⁶	2,100,897	29,287	2.81	1,794,228	28,268	3.17
Total interest-bearing liabilities	24,432,449	210,114	1.73	22,173,328	191,422	1.74
Non-interest-bearing liabilities ⁴	1,072,873			1,314,471		
Total liabilities	25,505,322			23,487,799		
Net interest income		283,357			267,009	
Net interest spread			1.96			2.04
Net interest margin			2.12			2.20

- 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 bonds.
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/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	41,386	(15,477)	25,909
Debt securities investments	10,414	(2,968)	7,446
Balances with central banks	480	700	1,180
Amounts due from banks and other financial institutions	(83)	588	505
Changes in interest income	52,197	(17,157)	35,040
Liabilities			
Deposits from customers	16,040	5,653	21,693
Amounts due to banks and other financial institutions	(817)	(3,203)	(4,020)
Other interest-bearing liabilities	4,275	(3,256)	1,019
Changes in interest expense	19,498	(806)	18,692
Changes in net interest income	32,699	(16,351)	16,348

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

Interest Income

We achieved interest income of RMB493,471 million in the first half of 2021, representing an increase of RMB35,040 million as compared to the first half of the previous year, which was primarily due to an increase of RMB2,623,302 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 RMB25,909 million, or 8.4%, as compared to the first half of the previous year to RMB336,144 million, which was primarily due to an increase of RMB1,965,708 million in the average balance.

Discussion and Analysis

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

Item	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Average balance	Interest income	Average yield ¹ (%)	Average balance	Interest income	Average yield ¹ (%)
Corporate loans	8,736,484	176,689	4.08	7,581,322	164,582	4.37
Short-term corporate loans	2,620,768	46,901	3.61	2,424,110	48,330	4.01
Medium- and long-term corporate loans	6,115,716	129,788	4.28	5,157,212	116,252	4.53
Discounted bills	271,275	3,536	2.63	393,644	5,004	2.56
Retail loans	6,493,870	151,502	4.70	5,570,006	134,964	4.87
Overseas and others	464,380	4,417	1.92	455,329	5,685	2.51
Total loans and advances to customers	15,966,009	336,144	4.25	14,000,301	310,235	4.46

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 2021, interest income from debt securities investments increased by RMB7,446 million to RMB123,643 million as compared to the first half of the previous year, which was primarily due to an increase in investment in bonds.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB1,180 million to RMB18,150 million as compared to the first half of the previous year, which was primarily due to a decrease in the proportion of excess reserves with a lower interest rate and an increase in the average balances with central banks.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB505 million to RMB15,534 million as compared to the first half of the previous year, which was primarily due to the higher interest rate in the monetary market as compared to the first half of the previous year.

Interest Expense

Interest expense increased by RMB18,692 million to RMB210,114 million as compared to the first half of the previous year, which was mainly due to an increase of RMB2,259,121 million in the average balance of interest-bearing liabilities.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB21,693 million to RMB159,674 million as compared to the first half of the previous year, which was primarily due to an increase in the scale of deposits from customers.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

Item	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Average balance	Interest expense	Average cost ¹ (%)	Average balance	Interest expense	Average cost ¹ (%)
Corporate deposits						
Time	2,734,951	33,090	2.44	2,393,103	30,618	2.57
Demand	5,288,864	24,538	0.94	4,791,153	19,853	0.83
Sub-Total	8,023,815	57,628	1.45	7,184,256	50,471	1.41
Retail deposits						
Time	6,430,187	91,260	2.86	5,427,532	74,503	2.76
Demand	5,786,327	10,786	0.38	5,595,271	13,007	0.47
Sub-Total	12,216,514	102,046	1.68	11,022,803	87,510	1.60
Total deposits from customers	20,240,329	159,674	1.59	18,207,059	137,981	1.52

Note: 1. Annualized figures.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions decreased by RMB4,020 million to RMB21,153 million as compared to the first half of the previous year, which was primarily due to a decrease in the average cost of placements from banks and other financial institutions of our overseas institutions as compared to the first half of the previous year.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB1,019 million to RMB29,287 million as compared to the first half of the previous year, which was primarily due to an increase in the scale of interbank certificate of deposit.

Net Fee and Commission Income

In the first half of 2021, we generated net fee and commission income of RMB48,150 million, representing an increase of RMB3,912 million, or 8.8%, as compared to the first half of the previous year. In particular, electronic banking service fees increased by 23.5%, which was primarily due to the increase in income from electronic commerce business; and consultancy and advisory fees increased by 22.5%, which was primarily due to the increase in income from financing and intelligence services such as syndicated loan business and advisory services.

Discussion and Analysis

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Agency commissions	14,014	12,314	1,700	13.8
Settlement and clearing fees	7,114	6,933	181	2.6
Bank card fees	7,472	7,117	355	5.0
Consultancy and advisory fees	9,757	7,966	1,791	22.5
Electronic banking service fees	15,433	12,498	2,935	23.5
Custodian and other fiduciary service fees	2,076	3,043	(967)	-31.8
Credit commitment fees	1,257	1,062	195	18.4
Others	364	337	27	8.0
Fee and commission income	57,487	51,270	6,217	12.1
Less: Fee and commission expenses	9,337	7,032	2,305	32.8
Net fee and commission income	48,150	44,238	3,912	8.8

Other Non-interest Income

In the first half of 2021, other non-interest income amounted to RMB34,747 million, representing an increase of RMB6,220 million, as compared to the first half of the previous year. In particular, net trading gain increased by RMB971 million, primarily due to an increase in net trading gain on derivative financial instruments. Net gain/(loss) on financial investments increased by RMB5,223 million, primarily due to an increase in gains on other debt instruments measured at fair value through profit or loss.

Composition of Other Non-interest Income

In millions of RMB

Item	Six months ended 30 June 2021	Six months ended 30 June 2020
Net trading gain	8,359	7,388
Net gain/(loss) on financial investments	1,432	(3,791)
Net Gain on derecognition of financial assets measured at amortized cost	1	–
Other operating income	24,955	24,930
Total	34,747	28,527

Operating Expenses

In the first half of 2021, operating expenses increased by RMB8,648 million to RMB116,691 million as compared to the first half of the previous year; cost-to-income ratio decreased by 0.10 percentage point to 24.54% 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 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Staff costs	61,993	57,413	4,580	8.0
Insurance benefits and claims	22,722	20,538	2,184	10.6
General operating and administrative expenses	18,032	16,686	1,346	8.1
Depreciation and amortization	9,663	9,457	206	2.2
Tax and surcharges	3,188	2,695	493	18.3
Others	1,093	1,254	(161)	-12.8
Total	116,691	108,043	8,648	8.0

Discussion and Analysis

Credit Impairment Losses

In the first half of 2021, our credit impairment losses decreased by RMB2,985 million to RMB96,138 million as compared to the first half of the previous year. In particular, impairment losses on loans increased by RMB10,229 million to RMB92,011 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.

Income Tax Expense

In the first half of 2021, our income tax expense increased by RMB7,340 million, or 31.4%, to RMB30,705 million as compared to the first half of the previous year. The effective tax rate was 20.00%, 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

Item	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	149,554	40.8	135,242	39.8
Retail banking business	138,226	37.7	138,115	40.6
Treasury operations	46,644	12.8	38,355	11.3
Other business	31,830	8.7	28,062	8.3
Total operating income	366,254	100.0	339,774	100.0

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

In millions of RMB, except for percentages

Item	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	39,623	10.8	18,819	5.5
Yangtze River Delta	66,292	18.1	63,934	18.8
Pearl River Delta	48,298	13.2	49,802	14.7
Bohai Rim	45,839	12.5	46,880	13.8
Central China	51,106	14.0	50,317	14.8
Western China	71,457	19.5	70,575	20.8
Northeastern China	11,458	3.1	11,582	3.4
Overseas and others	32,181	8.8	27,865	8.2
Total operating income	366,254	100.0	339,774	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 2021		Six months ended 30 June 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	143,230	39.1	129,042	38.0
Urban Area Banking Business	223,024	60.9	210,732	62.0
Total operating income	366,254	100.0	339,774	100.0

Balance Sheet Analysis

Assets

At 30 June 2021, our total assets amounted to RMB28,652,363 million, representing an increase of RMB1,447,316 million, or 5.3%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,307,873 million, or 9.0%; financial investments increased by RMB144,376 million, or 1.8%; cash and balances with central banks decreased by RMB73,332 million, or 3.0%; deposits and placements with and loans to banks and other financial institutions decreased by RMB125,502 million, or 12.8%, which was primarily due to a decrease in placements with and loans to banks and other financial institutions; and financial assets held under resale agreements increased by RMB62,020 million, or 7.6%, which was primarily due to an increase in bills held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	16,539,337	–	15,170,442	–
Less: Allowance for impairment losses on loans	679,031	–	618,009	–
Loans and advances to customers, net	15,860,306	55.4	14,552,433	53.5
Financial investments	7,967,035	27.8	7,822,659	28.8
Cash and balances with central banks	2,363,943	8.3	2,437,275	9.0
Deposits and placements with and loans to banks and other financial institutions	855,631	3.0	981,133	3.6
Financial assets held under resale agreements	878,226	3.1	816,206	3.0
Others	727,222	2.4	595,341	2.1
Total assets	28,652,363	100.0	27,205,047	100.0

Discussion and Analysis

Loans and Advances to Customers

At 30 June 2021, our total loans and advances to customers amounted to RMB16,539,337 million, representing an increase of RMB1,368,895 million, or 9.0%, 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

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	16,022,688	97.1	14,722,705	97.3
Corporate loans	9,007,698	54.6	8,134,487	53.7
Discounted bills	263,109	1.6	389,475	2.6
Retail loans	6,751,881	40.9	6,198,743	41.0
Overseas and others	478,023	2.9	413,416	2.7
Sub-Total	16,500,711	100.0	15,136,121	100.0
Accrued interest	38,626	–	34,321	–
Total	16,539,337	–	15,170,442	–

Distribution of Corporate Loans by Product Maturity

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	2,684,943	29.8	2,471,235	30.4
Medium- and long-term corporate loans	6,322,755	70.2	5,663,252	69.6
Total	9,007,698	100.0	8,134,487	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,483,000	16.5	1,329,190	16.3
Production and supply of electricity, heating, gas and water	1,000,904	11.1	924,078	11.4
Real estate ¹	861,148	9.6	786,673	9.7
Transportation, storage and postal services	2,015,250	22.4	1,860,488	22.9
Retail and wholesale	474,284	5.3	408,879	5.0
Water, environment and public utilities management	696,344	7.7	611,925	7.5
Construction	290,074	3.2	213,961	2.6
Mining	204,752	2.3	191,659	2.3
Leasing and commercial services	1,439,399	16.0	1,259,179	15.5
Finance	177,012	2.0	232,833	2.9
Information transmission, software and IT services	56,017	0.6	38,716	0.5
Others ²	309,514	3.3	276,906	3.4
Total	9,007,698	100.0	8,134,487	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 2021, the balance of real estate loans to corporate customers amounted to RMB424,936 million, representing an increase of RMB46,403 million as compared to the end of the previous year.
2. Others mainly include agriculture, forestry, animal husbandry, fishery, public health, social work, accommodation and catering, etc.

At 30 June 2021, the top five major industries for our corporate loans include: (1) transportation, storage and postal services; (2) manufacturing; (3) leasing and commercial services; (4) production and supply of electricity, heating, gas and water; and (5) real estate. Aggregate loan balance of the top five major industries accounted for 75.6% of our total corporate loans, representing a decrease of 0.2 percentage point as compared to the end of the previous year. In proportion to the total corporate loans, our loans to the construction industry experienced the highest increase, while our loans to the finance industry experienced the largest decrease.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	4,932,425	73.1	4,662,119	75.2
Personal consumption loans	170,003	2.5	178,559	2.9
Loans to private business	451,165	6.7	379,554	6.1
Credit card balances	616,602	9.1	542,563	8.8
Loans to rural households	581,363	8.6	435,267	7.0
Others	323	–	681	–
Total	6,751,881	100.0	6,198,743	100.0

At 30 June 2021, the retail loans increased by RMB553,138 million, or 8.9%, as compared to the end of the previous year. In particular, residential mortgage loans increased by 5.8% as compared to the end of the previous year, which was mainly due to the Bank's implementation of regulatory requirements to support customers to purchase their residential properties for non-investment purpose. Loans to private business increased by 18.9% as compared to the end of the previous year, which was primarily due to the increase in inclusive loans. Credit card balances increased by 13.6% 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 33.6% as compared to the end of the previous year, primarily due to the sustained rapid increase in Huinong E-loan.

Distribution of Loans and Advances to Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	323,473	2.0	350,729	2.3
Yangtze River Delta	3,868,466	23.4	3,480,092	23.0
Pearl River Delta	2,722,124	16.5	2,470,677	16.3
Bohai Rim	2,382,161	14.4	2,214,679	14.6
Central China	2,525,671	15.3	2,300,770	15.2
Northeastern China	583,758	3.5	551,938	3.7
Western China	3,617,035	21.9	3,353,820	22.2
Overseas and others	478,023	3.0	413,416	2.7
Sub-Total	16,500,711	100.0	15,136,121	100.0
Accrued interest	38,626	–	34,321	–
Total	16,539,337	–	15,170,442	–

Financial Investments

At 30 June 2021, our financial investments amounted to RMB7,967,035 million, representing an increase of RMB144,376 million, or 1.8%, as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB163,134 million, as compared to the end of the previous year, which was primarily due to an increase in investment in local government bonds and policy bank bonds.

Discussion and Analysis

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	7,237,176	92.3	7,074,042	91.9
Restructuring-related debt securities	384,239	4.9	384,239	5.0
Equity instruments	108,151	1.4	106,276	1.4
Others	107,585	1.4	132,155	1.7
Sub-Total	7,837,151	100.0	7,696,712	100.0
Accrued interest	129,884	–	125,947	–
Total	7,967,035	–	7,822,659	–

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

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	4,461,014	61.6	4,253,736	60.2
Bonds issued by policy banks	1,555,656	21.5	1,427,871	20.2
Bonds issued by other banks and financial institutions	753,245	10.4	873,119	12.3
Bonds issued by entities in public sectors	238,778	3.3	220,866	3.1
Corporate bonds	228,483	3.2	298,450	4.2
Total	7,237,176	100.0	7,074,042	100.0

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

In millions of RMB, except for percentages

Remaining Maturity	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	15	–	–	–
Less than 3 months	324,654	4.5	298,062	4.2
3–12 months	758,530	10.5	937,124	13.2
1–5 years	3,138,576	43.3	3,156,436	44.7
More than 5 years	3,015,401	41.7	2,682,420	37.9
Total	7,237,176	100.0	7,074,042	100.0

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

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	6,935,275	95.8	6,756,711	95.5
USD	249,475	3.5	264,207	3.7
Other foreign currencies	52,426	0.7	53,124	0.8
Total	7,237,176	100.0	7,074,042	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 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	471,006	6.0	583,069	7.6
Debt investments at amortized cost	5,895,656	75.2	5,574,008	72.4
Other debts and other equity instruments investments at fair value through other comprehensive income	1,470,489	18.8	1,539,635	20.0
Sub-Total	7,837,151	100.0	7,696,712	100.0
Accrued interest	129,884	–	125,947	–
Total	7,967,035	–	7,822,659	–

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 2021, the balance of financial bonds held by the Bank was RMB2,308,901 million, including bonds of RMB1,555,656 million issued by policy banks and bonds of RMB753,245 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 at 30 June 2021.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance ¹
2020 policy bank bond	48,767	3.79%	2030-10-26	–
2020 policy bank bond	48,170	3.74%	2030-11-16	–
2017 policy bank bond	33,161	3.85%	2027-01-06	–
2020 policy bank bond	29,331	3.43%	2025-10-23	–
2019 policy bank bond	28,799	3.28%	2024-02-11	–
2021 policy bank bond	28,660	3.48%	2028-02-04	–
2017 policy bank bond	28,480	4.39%	2027-09-08	–
2017 policy bank bond	27,130	3.83%	2024-01-06	–
2017 policy bank bond	23,808	4.11%	2027-03-20	–
2020 policy bank bond	23,760	3.23%	2030-03-23	–

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 2021, our total liabilities increased by RMB1,395,695 million, or 5.6%, as compared to the end of the previous year to RMB26,389,996 million. In particular, deposits from customers increased by RMB1,553,673 million, or 7.6%; deposits and placements from banks and other financial institutions decreased by RMB22,911 million, or 1.3%; financial assets sold under repurchase agreements decreased by RMB82,068 million, or 75.2%, which was primarily due to a decrease in bonds sold under repurchase agreements; debt securities issued increased by RMB70,439 million, or 5.1%, which was primarily due to the increase in issuance of interbank certificate of deposit.

Discussion and Analysis

Key Items of Liabilities

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	21,926,574	83.1	20,372,901	81.5
Deposits and placements from banks and other financial institutions	1,762,265	6.7	1,785,176	7.1
Financial assets sold under repurchase agreements	27,127	0.1	109,195	0.4
Debt securities issued	1,442,284	5.5	1,371,845	5.5
Other liabilities	1,231,746	4.6	1,355,184	5.5
Total liabilities	26,389,996	100.0	24,994,301	100.0

Deposits from Customers

At 30 June 2021, the balance of deposits from customers of the Bank increased by RMB1,553,673 million, or 7.6%, as compared to the end of the previous year to RMB21,926,574 million. In terms of customer structure, the proportion of retail deposits increased by 0.1 percentage point to 59.4%. In terms of maturity structure, the proportion of demand deposits decreased by 2.2 percentage points to 53.0%.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	21,544,263	99.5	20,002,156	99.5
Corporate deposits	8,169,127	37.7	7,618,591	37.9
Time	2,686,137	12.4	2,390,431	11.9
Demand	5,482,990	25.3	5,228,160	26.0
Retail deposits	12,850,123	59.4	11,926,040	59.3
Time	6,842,646	31.7	6,054,657	30.1
Demand	6,007,477	27.7	5,871,383	29.2
Other deposits ¹	525,013	2.4	457,525	2.3
Overseas and others	104,466	0.5	105,216	0.5
Sub-Total	21,648,729	100.0	20,107,372	100.0
Accrued interest	277,845	–	265,529	–
Total	21,926,574	–	20,372,901	–

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

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	12,669,377	58.5	11,908,631	59.2
Less than 3 months	1,469,650	6.8	1,755,619	8.7
3–12 months	3,259,702	15.1	2,875,558	14.3
1–5 years	4,243,185	19.6	3,555,435	17.7
More than 5 years	6,815	–	12,129	0.1
Sub-Total	21,648,729	100.0	20,107,372	100.0
Accrued interest	277,845	–	265,529	–
Total	21,926,574	–	20,372,901	–

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	139,223	0.6	146,231	0.7
Yangtze River Delta	5,242,941	24.3	4,802,096	23.9
Pearl River Delta	3,082,175	14.2	2,818,551	14.0
Bohai Rim	3,774,358	17.4	3,493,789	17.4
Central China	3,670,460	17.0	3,394,921	16.9
Northeastern China	1,048,290	4.8	1,004,778	5.0
Western China	4,586,816	21.2	4,341,790	21.6
Overseas and others	104,466	0.5	105,216	0.5
Sub-Total	21,648,729	100.0	20,107,372	100.0
Accrued interest	277,845	–	265,529	–
Total	21,926,574	–	20,372,901	–

Shareholders' Equity

At 30 June 2021, our shareholders' equity amounted to RMB2,262,367 million, representing an increase of RMB51,621 million as compared to the end of the previous year. Net assets per ordinary share were RMB5.53, 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 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	349,983	15.5	349,983	15.8
Other equity instruments	319,875	14.1	319,875	14.5
Capital reserve	173,556	7.7	173,556	7.9
Investment revaluation reserve	25,093	1.1	25,987	1.2
Surplus reserve	196,354	8.7	196,071	8.8
General reserve	351,604	15.5	311,449	14.1
Retained earnings	840,404	37.1	828,240	37.4
Foreign currency translation reserve	(1,024)	–	(372)	–
Non-controlling interests	6,522	0.3	5,957	0.3
Total	2,262,367	100.0	2,210,746	100.0

Discussion and Analysis

Off-balance Sheet Items

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, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of 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

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	652,807	29.1	1,617,278	51.0
Bank acceptances	388,148	17.3	429,841	13.6
Guarantees and letters of guarantee	296,119	13.2	264,646	8.4
Letters of credit	193,573	8.6	162,356	5.1
Credit card commitments	715,020	31.8	695,183	21.9
Total	2,245,667	100.0	3,169,304	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 supported major national strategies and key areas of the real economy, fostered new growth drivers of digital transformation, established a new integrated service model, and improved our comprehensive financial service capability and customer satisfaction, so as to promote high-quality development of our corporate banking business. At the end of June, the balance of domestic corporate deposits amounted to RMB8,169,127 million, representing an increase of RMB550,536 million as compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB9,270,807 million, representing an increase of RMB746,845 million compared to the end of the previous year. The loans extended to the projects included in our major marketing projects pool amounted to RMB337.1 billion. At the end of June, we had 8,309.3 thousand corporate banking customers, among which 349.2 thousand customers had outstanding loan balances, representing an increase of 21.3 thousand customers compared to the end of the previous year.

- We served major national strategies. We took advantage of our omnichannel, full range of products and multiple licenses to comprehensively support major regional development strategies, such as Beijing-Tianjin-Hebei Region, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta, Chengdu-Chongqing Region and Hainan Free-Trade Port, and loans granted in the first half of the year increased by RMB497,659 million.
- We provided services to support key areas of the real economy. We supported the development of advanced manufacturing industry cluster, actively created special products and accelerated the construction of key customers database and key projects database in the manufacturing industry. The number of customers with outstanding loan balances and the balance of loans in the manufacturing industry (based on the use of loans) increased by 54.4 thousand and RMB196,277 million respectively compared to the end of the previous year. We supported new growth drivers of the new economy, strengthened the development of key customer base of the new economy and accelerated building a financial service system for science and technology transaction startups. The balance of our loans for strategic emerging industries and growing modern service industries reached RMB1,441,476 million, representing an increase of RMB262,056 million as compared to the end of the previous year.
- We promoted the development of green finance. We carried out special green finance marketing, promoted cooperation with the institutions in national carbon emissions permits trade market, and accelerated the construction of green finance product systems and brands. The balance of green credit reached RMB1,763.9 billion, representing an increase of 16.4% as compared to the end of the previous year.
- We supported the development of private enterprises. We improved the quality and effectiveness of financial services to private enterprises by introducing supportive policies, enhancing resource allocation and innovative service models. At the end of June, the number of private enterprises with outstanding loan balances reached 325.7 thousand, representing an increase of 20 thousand customers as compared to the end of the previous year. The balance of loans was RMB2,345,083 million, representing an increase of RMB313.67 billion as compared to the end of the previous year.
- We promoted digital transformation. We continuously improved the layout and functions of the middle-end marketing platform for corporate banking (CMM system), strengthened the closed-loop management of major projects and funds, and enhanced online customer acquisition and marketing capabilities. We accelerated the layout of scenarios in transportation, tourism, industrial chain and pension finance, and enriched online credit, transaction banking, pension and other products. At the end of June, we had 41.6 thousand Internet scenarios for corporate business, representing an increase of 54.2% as compared to the end of the previous year, and the number of active customers for corporate Internet banking and corporate mobile banking increased by 552.7 thousand and 516.3 thousand, respectively.

Discussion and Analysis

Institutional Banking

We promoted the construction of Smart Customer and continuously improved our comprehensive service capabilities in institutional banking business. At the end of June, we had 534.7 thousand institutional customers and 721.4 thousand accounts, representing an increase of 6.3% and 6.0%, respectively, as compared to the end of the previous year.

- In terms of financial services provided to the governments, we cooperated with 32 provincial-level and 237 prefecture-level service platforms for government affairs; upgraded convenient personal and corporate service functions of iXiangyang APP, and enriched pandemic prevention and control, rural revitalization and other special features; launched smart service platforms for county government affairs, which is piloted synchronously in Zhuozhou and Baigou of Hebei province, and Xiangshui of Jiangsu province.
- In terms of fiscal and social security, the special project serving the integration of national fiscal budget management had covered 27 provinces, autonomous regions and municipalities. The electronic certificates for medical insurance through our mobile banking had more than 27 million users.
- In terms of financial services with respect to people's livelihood, we cooperated with over 30 thousand schools on our smart campus, and over two thousand hospitals on our smart hospital.
- In terms of services to financial institutions, the contracted customers for third-party depository services amounted to 54,053.5 thousand at the end of June, representing an increase of 5,232.0 thousand as compared to the end of the previous year. The balance of loans with credit enhancement by guarantee insurance exceeded RMB9.5 billion, benefiting over 0.28 million farmers and small and micro enterprises.

Transaction Banking

We continued to develop the transaction banking system based on accounts and payment settlement. We comprehensively pushed forward the construction of the "Smart Payment+" platform, and accelerated the online layout of our products, which promoted the high-quality development of our transaction banking business.

- We implemented graded and classified management of corporate accounts, enhanced account opening services for enterprises, and fostered our ability of customer acquisition at the branch outlets and on the Internet. At the end of June, we had 8.6910 million corporate RMB-dominated settlement accounts.
- We promoted E-guarantee to implement the entire electronic process in terms of guarantees for the bidding and tendering of the public resources center. We upgraded the Gongxin Bao to cover the scenario of supervision for the wages of migrant rural workers. We optimized the fund supervision to ensure the safety of key engineering capitals. We iteratively upgraded smart guaranteed payment to provide comprehensive financial service output for transactions of E-commerce platform customers. At the end of June, we had 3.4239 million active transaction banking customers.

Investment Banking

Focused on serving the real economy, we accelerated product innovation, optimized business processes and continued to improve the "financing + financing intelligence" service solutions to meet the diversified financing needs of customers. In the first half of the year, the income from our investment banking business was RMB8,235 million, representing a year-on-year increase of 17.66%.

- We actively served major national strategies. We fully supported the new infrastructure and new urbanization initiatives and major projects, and served key projects in the basic assets integration, urban renewal and hydroelectric development with diversified financing tools. Serving the strategy of rural revitalization, we supported grain collection and storage, and local smart ecological agriculture projects with bond underwriting and syndicated financing. Serving the strategy of "bringing in" and "going out", we supported high-tech enterprises to expand their overseas industrial chains with cross-border M&A loans.

- We promoted business innovation continuously. We were preparing to establish Agricultural Bank of China Shenzhen Fund for Science and Technology Startups, launched innovative products such as stock option arrangement and loans for science and technology startups, and built a new model of investment and loan linkage service for science and technology startups. We underwrote the first batch of carbon neutrality bonds, the first batch of rural revitalization bonds, the first batch of high-growth debt financing instruments and the first batch of sustainable development-linked bonds in the markets.
- We continued to enhance our market influence. We won a total of 12 honors and awards, including, Best Syndicated Project Award by Hong Kong magazine *The Asset*, Market Innovation Award by National Interbank Funding Center, Best Bond Underwriter and Best Financial Bond Underwriter Excellence Bank Award by Wind Information.

Retail Banking

We focused on customers, and high-quality development, vigorously promoted the “Strong Retail” project, made great efforts to build an intelligent, integrated and ecological retail customer service system, improved retail banking business in management capability, business innovation capability and value creation capability, and accelerated the establishment of a strong retail bank with first-class customer experience and leading comprehensive strength. At the end of June, the total number of our retail banking customers reached 869 million.

- We served the market of rural areas and enhanced financial services for rural customers. We launched comprehensive retail banking marketing activities for rural revitalization, set up 17.5 thousand village-oriented service teams to serve villages in depth, and provided rural customers with comprehensive and diversified financial services such as rural revitalization card, Huinong E-loan, and Huinong wealth management products through the mature business platform for development in rural areas.
- We strengthened wealth management to create value for customers with professional services. We adhered to the strategy of quality products, strengthened cooperation with high-quality companies in fund, insurance, precious metals and other industries, and continued to enrich the supply of high-quality products. We launched checkup in comprehensive asset allocation and intelligent after-sales services to enhance the professional service capabilities of wealth management business.
- We deepened digital operations to provide customers services with higher efficiency. Relying on the fully automated, omni-channel, 24-hour “Digital Human” smart service system, we directly served 0.96 billion customers in the first half of the year. We continued to promote digital mobile marketing tools for customer managers to provide customers with accurate products and services.
- We accelerated open output and realized the deep integration of financial services and life scenario. We enhanced the capability of scenario-based customer acquisition and retention, accelerated electronic accounts and the output of comprehensive financial services, such as payment, consumption, loans and payroll service, and cooperated with Internet platforms to provide customers with convenient financial services.

Discussion and Analysis

Retail Loans

- To follow the national control policies for the real estate industry, we implemented differentiated housing credit policies and supported the rational demand of residents for homes for non-investment purpose. At the end of June, the balance of retail residential mortgage loans amounted to RMB4,932,425 million, representing an increase of RMB270,306 million as compared to the end of the previous year.
- We adhered to digital transformation and expansion scenarios of consumption loan, and achieved a steady development of personal consumption loans.
- We intensified supports for individual business and small and micro enterprise owners, and reduced their financing cost. The balance of private business loans increased by 18.9% as compared to the end of the previous year. The featured product Housing Mortgage E-loan — Business had a balance of over RMB150 billion.

Retail Deposits

- We continued to enrich product system, optimize service process and improved customer experience. We focused on providing customer services through channels such as mobile banking, serving the strategy of rural revitalization and meeting customers' wealth management needs promptly.
- At the end of June, the balance of domestic retail deposits reached RMB12,850,123 million, representing an increase of RMB924,083 million as compared to the end of the previous year, ranking top among peers.

Bank Card Business

- We reinforced the advantages of debit card business. We optimized functions and business processing processes of debit cards to enhance customer service experience. We vigorously issued debit cards for rural revitalization to satisfy the needs of rural customers with precision and differentiation. We designed a variety of co-branded debit cards relating to livelihood, campus, public utilities and other areas, and launched exclusive co-branded cards for doctors and firemen who had made outstanding contributions in emergencies, such as pandemic prevention and control. At the end of June, we cumulatively issued 1,112 million debit cards, representing an increase of 14 million as compared to the end of the previous year.
- We accelerated the development of credit card business. We promoted services such as special points redemption and exclusive credit lines for specific customer groups. We rolled out new products such as the National Treasure Card and Monkey King Card, and launched DIY functions for card numbers and card faces. We innovatively carried out brand marketing activities, such as Affectionate Companion, Half Price Food, Auto Festival, and Home Decoration Festival. We continued to build the product system of Lefenyi and Bill Installment to help upgrade consumption. At the end of June, we cumulatively issued 0.14 billion credit cards, and the transaction volume for the first half amounted to RMB1,175.56 billion.

Private Banking Business

- We continued to develop the exclusive brand “Yi Private Banking” to strengthen core professional service capabilities. We accelerated the development of private equity agency business and promoted the “Ying” series of commissioned products. We launched the “Heng” series of family trust service brand, which provided customers with three major solutions: wealth inheritance trusts, insurance benefit trusts and charity trusts, and we maintained rapid growth in family trust business. We have also built an insurance planning service system for private banking customers to meet their family wealth protection needs.
- At the end of June, the number of our private banking customers reached 161 thousand and the balance of assets under management amounted to RMB1,865.6 billion, representing an increase of 0.02 million and RMB169.6 billion, respectively, as compared to the end of the previous year.

Treasury Operations

The treasury operations of the Bank include money market activities and investment portfolio management. We adhered to serving the real economy and the transformation of the economy. We flexibly adjusted investment strategies and strengthened flow operations 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 strengthened our research on monetary policies and forecasts of market liquidity, comprehensively used various financial instruments such as placement and lending, repurchases, certificates of deposit and deposits to smoothen liquidity fluctuations, reasonably allocated maturing funds to improve the efficiency of fund utilization on the basis of ensuring the security of our liquidity.
- In the first half of 2021, our RMB-denominated financing transactions amounted to RMB22,508,266 million, including RMB22,138,645 million in lending and RMB369,621 million in borrowing.

Investment Portfolio Management

At 30 June 2021, our financial investments amounted to RMB7,967,035 million, representing an increase of RMB144,376 million or 1.8% as compared to the end of the previous year.

Trading Book Activities

- We continuously maintained a leading position among the peers in respect of both the bond market-making business and the bond trading business in the inter-bank market, with a steady rise in market share. We enhanced the market-making quotation for green bonds and provided market-making quotation services for 30 green bonds in the first half of 2021.
- In the first half of 2021, as the yields of domestic bond market were range-bound, we flexibly adjusted on the positions of portfolio in the trading book following the market trend, and reasonably used certain derivatives to hedge risks.

Banking Book Activities

- The quality and effectiveness of bond investment to serve the real economy continued to be enhanced. We maintained the investment in local government bonds, optimized the investment structure of credit bonds to support the national regional strategy and local economic development, the construction of major projects in transportation, power and energy, public utilities and infrastructure, and industries in line with the national strategy of transformation, such as science and technology and consumption. We increased investment in green bonds at the primary and secondary markets, and actively invested in green bonds such as “carbon neutrality bonds” to help achieve the goal of “carbon neutrality and peak carbon dioxide emissions”.
- We reasonably seized the investment opportunities and dynamically adjusted the structures of investment portfolios considering the market rate trend and profiles of bond supply, achieving high returns.

Discussion and Analysis

Asset Management

Wealth Management

In the first half of 2021, we implemented a series of regulatory requirements under *Guiding Opinions regarding Asset Management Business of Financial Institutions* and rectified existing wealth management business to speed up its net worth transformation. At the end of June 2021, the balance of the Group's wealth management products reached RMB1,690,833 million, of which RMB573,348 million was from the Bank and RMB1,117,485 million was from Agricultural Bank of China Wealth Management Co., Ltd.

Wealth Management Products of the Bank

At the end of June 2021, the balance of our wealth management products amounted to RMB573,348 million. In terms of income type, as compared to the end of the previous year, the balance of principal guaranteed wealth management products amounted to RMB34,442 million, accounting for 6.0% of the total and representing a decrease of RMB37,871 million; the balance of non-principal guaranteed wealth management products amounted to RMB538,906 million, accounting for 94.0% of the total and representing a decrease of RMB466,694 million. In terms of offering approach, as compared to the end of the previous year, the balance of publicly offered wealth management products reached RMB563,793 million, accounting for 98.3% of the total and representing a decrease of RMB499,161 million; the balance of privately offered wealth management products amounted to RMB9,555 million, accounting for 1.7% of the total and representing a decrease of RMB5,404 million.

The table below presents the issuance, maturity and duration of our wealth management products during the reporting period.

In millions of RMB, except for tranches

Item	31 December 2020		Issuance		Maturity		Redemption	30 June 2021	
	Tranche	Amount	Tranche	Amount	Tranche	Amount	Amount	Tranche	Amount
Principal guaranteed wealth management	2	72,313	–	168,960	–	–	206,831	2	34,442
Non-principal guaranteed wealth management	403	1,005,600	181	5,970,199	315	207,330	6,229,563	269	538,906
Total	405	1,077,913	181	6,139,159	315	207,330	6,436,394	271	573,348

Note: maturity amounts refer to the balances of wealth management products at maturity dates.

The balances of direct and indirect investment assets under the Bank's wealth management as at the date indicated.

In millions of RMB, except for percentages

Item	30 June 2021	
	Amount	Percentage
Cash, deposits and interbank certificates of deposit	159,827	23.1%
Placements with and loans to banks and financial assets held under resale agreements	758	0.1%
Debt securities	285,602	41.3%
Non-standardized credit assets	231,300	33.4%
Other assets	14,264	2.1%
Total	691,751	100.0%

Wealth Management Products of Agricultural Bank of China Wealth Management Co., Ltd.

At the end of June 2021, the balance of the wealth management products of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB1,117,485 million. These wealth management products were all net worth ones, among which publicly offered wealth management products accounted for 97.6% while privately offered wealth management products accounted for 2.4%.

Custody Service

- In the first half of the year, we seized the market opportunities and won the bid for the qualification of custodianship of Tibetan enterprise annuity, fully covering the central and local enterprise annuity custodianship; we also won all the bids for the qualification of custodianship for headquarters-level projects in the insurance market that had been publicly tendered in the first half of year. We strengthened cooperation with top fund companies and enhanced the quantity and quality of public fund products under custody, thus effectively enhanced the market competitiveness.
- At the end of June, our assets under custody amounted to RMB11,298,895 million, representing an increase of 11.8% as compared to the end of the previous year, of which the pension funds under custody amounted to RMB830,026 million, representing an increase of 20.9% as compared to the end of the previous year. The income from custody service amounted to RMB2,076 million in the first half of 2021.
- We won the Outstanding Asset Custodian of the Central Clearing and Settlement Corporation for nine consecutive years; we were among the first batch of banks as “Outstanding Custodian of the Interbank Local Currency Market”; we were the only bank in China which won “Best Sub-Custodian Bank” award granted by the *Global Finance* magazine of the United States for four consecutive years.

Pension

- We actively served the national strategy of coping with aging population, contributed to the building of a multi-layered social security system, promoted market development, strengthened risk control, and thus achieved steady growth in assets under entrusted management and relatively rapid growth of business scale.
- At the end of June, our pension funds under entrusted management¹ amounted to RMB147,406 million, representing an increase of RMB29,883 million, or 25.4%, as compared to the end of the previous year.

Precious Metals

- In the first half of the year, we traded 2,357.56 tons of gold and 33,046.55 tons of silver for our own account as well as on behalf of customers, and maintained the leading positions in the industry in terms of market share.
- We steadily developed the precious metal leasing and lending businesses and increased support for real entity customers in the precious metal industry chain. We strengthened research on environmental risks and emission reduction of precious metal leasing customers and actively served green transformation enterprises. In the first half of the year, we leased 9.5 tons of gold to enterprises on the “green mine” list of the Ministry of Natural Resources, equivalent to RMB3.555 billion.

Treasury Transactions on Behalf of Customers

- We actively promoted the requirement of risk neutrality of exchange rates, provided forward, swap and option products for enterprises, and helped enterprises improve their capability in managing exchange rate risk. 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 USD232,268 million, representing a year-on-year increase of 42.9%.

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

Discussion and Analysis

- The counter bond (Zhaishibao) business developed steadily and recorded a top ranking business scale in the industry. We actively served foreign institutional investors to invest in China's bond market, and our transaction volume of Bond Connect exceeded RMB270 billion and had a market leading position in the first half of the year.

Agency Insurance Business

- In the first half of the year, the agency insurance premiums amounted to RMB66,598 million, including regular premiums of RMB15,700 million, whose proportion to the total increased by 4.2 percentage points as compared to the same period of the previous year, and the structure of agency insurance business was significantly optimized.
- The commission income from the agency insurance business amounted to RMB5,191 million, maintaining a leading position among the peers.

Agency Distribution of Fund Products

- We continuously deepened cooperation with top companies, promoted the Boutique strategy, created "Jiang Xin" product brand and issued several popular products, with significant increase in market competitiveness. In the first half of the year, the number of funds distributed by the Bank was 2,003, with sales volume amounting to RMB211,243 million.
- We launched the wealth checkup function on the mobile banking, optimized the smart customer service system for wealth management, and provided customers with professional and personalized investment advice.

Agency Sales of PRC Government Bonds

- In the first half of the year, we, as an agent, distributed 8 tranches of savings PRC government bonds with the actual sales amount of RMB16,497 million, including 4 tranches of savings PRC government bonds (in certificate form) of RMB6,929 million and 4 tranches of savings PRC government bonds (in electronic form) of RMB9,568 million.

Internet Finance

The Bank implemented in-depth operation strategies of data-driven commercialization and business digitalization, focused on creating an omni-channel, all-scenario, all-link online operation system, and fully enhanced the value creation and market competitiveness of online channels.

Smart Mobile Banking

The Bank continued to strengthen the construction of online financial service platform and product innovation with mobile banking as the core, improved the intelligent, personalized and exclusive service capabilities of mobile banking, and accelerated the iterative upgrade of versions of the mobile banking.

- The construction of mobile banking platform was promoted. We refined customer classification and provided personalized menu functions, preferential rights and information for different customer groups. We launched more than 10 new functions such as personal credit report, intelligent breakdown analysis of revenue and expenditure, and voice intelligent interaction.

- The exclusive version of mobile banking was launched. We launched the “Rural Version” for customers in County Areas, and added exclusive service channels such as Agriculture-related Wealth Management, Huinong E-loan and Huinongtong Service Station. We launched the “large font version” for elderly customers, which enlarged the page display, streamlined the service functions, and optimized the transaction process.
- As at the end of June 2021, the Bank ranked first in the industry in terms of both the existing and new monthly active users (MAU) of the mobile banking. For the number of personal mobile banking customers and the transaction volume, please refer to “Distribution Channels — Online Channels — Mobile Banking”.

Online Corporate Banking

The Bank highlighted the three major scenarios of serving inclusive finance, small and micro enterprises and Sannong, enhanced the three capabilities of platform foundation support, scenario service and open integration, and realized the comprehensive upgrade of online corporate banking.

- The functions of the platform system were improved. We created a special custody zone, launched the transfer function of certificate of deposit, launched electronic invoices, provided comprehensive financing inquiry services, and optimized the customer interaction process of online credit products such as Micro Quick Loans, which significantly improved customer experience.
- The services for opening-up and integration were accelerated. We developed a direct linkage model for supervising payroll of migrant workers to achieve seamless connection between the bank and government monitoring systems, online corporate banking of employers and personal mobile banking of migrant workers. We established a third-party application market for online corporate banking, introduced third-party applications such as Barter Fees and Good Accountant, and provided financial value-added services for corporate customers.
- For details about the numbers of the corporate Internet banking customers and the corporate mobile banking customers as well as their respective transaction volumes, please refer to “Distribution Channels — Online Channels”.

Discussion and Analysis

Online Credit

We coordinated the high-quality development of online credit businesses focusing on business lines of retail banking, small and micro enterprises, farmers, as well as the supply chain financing.

- We promoted the application of the “Inclusive E-station” service platform, focused on promoting growth, stabilizing price, adjusting structure, improving efficiency and controlling risks, optimized key products such as the “Taxation E-loan” and “Mortgage E-loan”, innovated the “First Account E-loan” and “Account E-loan”, and improved the availability of loans to small and micro enterprises.
- We vigorously developed online supply chain financing services, provided products including accounts receivable financing, order financing, factoring financing and commercial bill discounting, and launched the online discount of supply chain bills “Supply Chain Bill E-finance” to provide comprehensive and high-quality financial services to upstream and downstream customers of the supply chain.
- We played the role of the digital risk control center, and carried out online credit risk monitoring and remote centralized early warning and audit, overdue collection and fraud risk mitigation through digitalized, intensive and intelligent risk control measures.
- At the end of June 2021, the balance of ABC E-loan amounted to RMB1.81 trillion, representing an increase of 38.2% as compared to the end of the previous year.

Smart Scene-based Finance

- High-frequency scene-based industry applications were innovated. In terms of industrial applications, we launched smart canteen, smart party building and other mobile banking small programs, shortening the use path for users; we launched K12 smart campus to provide comprehensive solutions of “financial + non-financial” for campus scenes. In terms of smart government affairs, we achieved full coverage of 32 provincial government platforms, and cooperated with 237 prefecture-level government platforms, with a coverage rate of 71.2%; we continued to build iXiangyang APP, assisting Xiangyang government in building a digital city; we accessed 14 provincial and municipal e-government platforms through the e-government zone of mobile banking, and launched more than 100 high-frequency e-government services.
- The construction of open banking platform was accelerated. We deepened external cooperation in scenes applications, refined the template of product portfolio application for scenes such as government affairs, travel, campus and canteens, and provided comprehensive financial service solutions for different industries. We enriched open banking product system, increased the export of financial products and expanded the scope of services for individuals, enterprises and institutions. We improved support service capabilities of the platform, upgraded the service website functional experience, strengthened the interface security control, and improved the connection efficiency of the open cooperation system.

Sustainable Finance

Inclusive Finance

We actively promoted digital transformation of our inclusive finance business, served the real economy and adhered to a strict approach to risk limitation, so as to continuously enhance our inclusive finance service. At the end of June, the balance of our inclusive loans to small and micro enterprises reached RMB1,242,399 million¹, representing an increase of RMB289,760 million, or 30.4%, as compared to the end of the previous year, which was 21.4 percentage points higher than the growth rate of loans of the Bank. The number of customers with outstanding loan balance was 1,982.4 thousand¹, representing an increase of 415.1 thousand as compared to the end of the previous year. The annualized average yield of cumulative loans granted was 4.09%. The inclusive loans continued to meet the requirement of the second level for deduction of depository reserve ratio stipulated by the PBOC.

- We deepened the inclusive finance service system supported by “Sannong + Small and Micro Enterprises” with our own features. We established a two-level specialized institutional system for inclusive finance consisting of 1,000 head office-level and 1,000 branch-level specialized institutions to improve the inclusive finance service capabilities of our branch outlets comprehensively.
- We improved the online products of the inclusive finance business. We continued to improve our product innovation mechanism by hierarchy and by category, developed and launched online products in the fields of first loan, renewal of loan, unsecured loan and medium- and long-term loans to enhance the vitality and competitiveness of small and micro product systems.
- We continued to establish the digital marketing system for inclusive finance. We promoted the construction of the full process and one-stop service system of “Inclusive Finance E-station”, and achieved new breakthroughs in the small and micro customer service platform. We launched new functions of PC and mobile terminals in the “Inclusive Finance Zone” to accelerate the construction of the operation and management platform for small and micro business.
- We built a differentiated credit policy system. We introduced guidelines on inclusive financial credit policies, continued the policies and measures for delaying repayment of principal and interest of small and micro businesses, and improved the credit policy system for small and micro businesses at online and offline levels clearly.
- We improved the digital risk control system for the inclusive finance business. We improved a risk identification system on small and micro enterprise customers’ behavior, enriched our risk warning indicators, and constantly improved the small and micro portfolio risk system. We established a new post-disbursement management model for online small and micro businesses that features “model + customer” dual management and “online + offline” overall coordination.

Green Finance

We incorporated green concepts into our development strategies and core values, worked for the green and low-carbon development, and were committed to building an energy-saving and environment-friendly “green bank”.

¹ The caliber was adjusted according to the Notice by the General Office of the China Banking and Insurance Regulatory Commission of Further Promoting the High-quality Development of Financial Services for Small and Micro Enterprises in 2021 (Y.B.J.B.F. [2021] No. 49), excluding data related to discounted bills and rediscounting business.

Discussion and Analysis

Green Credit

We closely focused on the strategic deployment of peak carbon dioxide emissions and carbon neutrality, took the development of green credit business as the focus of fulfilling our social responsibilities, serving the real economy and adjusting our credit structure. We strengthened green credit policy guidance, increased support for green credit business, and promoted environmental and social risk management, thus maintaining rapid development of our green credit business. At the end of June 2021, the loans of green credit business reached RMB1,763.9 billion¹ at the growth rate of 16.4%, which is higher than the average growth rate of loans of the Bank.

- We insisted on strategic guidance. We focused on the goals of peak carbon dioxide emissions and carbon neutrality, accelerated the improvement of top-level design, highlighted financial support for green and low-carbon development in the “14th Five-Year Plan” of the Bank, and promoted the integration of green development concept into the whole process of operation and management.
- We strengthened policy guidance. In our annual credit policy guidance, we defined green credit development requirements, key support and management measures. We issued guidance opinions on promoting the green financial business development, and promoted the development of green financial business of the Bank through main lines, i.e. consolidating and improving market position, striving to create a first-class green brand, improving system and mechanism, and implementing environment and credit risk management. We continued to increase investment in green industries such as energy conservation and environmental protection, clean production, clean energy, ecological environment, infrastructure green upgrading and green services, and promoted the expansion of green finance business.
- Environmental and social risk management was enhanced. We strictly carried out whole-process control. The requirements for environmental and social risk management were applied into every procedure of our credit business, including due diligence, review, approval, credit management and post-disbursement management. We continued to strengthen the credit management on overcapacity and high pollution industries through various means, such as strict access, risk screening and exit of customers with potential risks, to strictly control their total credit exposures. In addition, customers with relatively high environmental and social risks were required to sign commitment letters of responsibility in order to prevent environmental and social risks by contractual arrangement.

Green Investment Banking

We engrained the green concept into all categories of products and services of the investment banking business and were committed to developing into a leading bank in green investment banking.

- In the first half of the year, we helped enterprises raise more than RMB120 billion through green syndicated loans, green M&A loans, green bonds and other means, and the funds were invested into areas such as environmental governance, clean energy and transportation, etc.
- Focusing on the goals of peak carbon dioxide emissions and carbon neutrality, we underwrote the first batch of carbon neutrality bonds and the first batch of sustainability-linked bonds in the market. As a shareholder of the National Green Development Fund, we actively participated in fund operation and project investments.

¹ The loan balance of green credit business was counted according to the statistics criteria of green finance of the CBIRC in 2020.

Green Investment and Financing

- In order to serve the green development goal of “carbon neutrality and peak carbon dioxide emissions”, we continued to increase the investment in green bonds in primary and secondary markets, and supported a number of green bond projects in industries such as power, transportation and transportation infrastructure, so as to facilitate the low-carbon development of relevant industries. As at the end of June, the scale of green bonds invested for our own account amounted to RMB75.2 billion¹, representing an increase of 14.9% as compared to the end of the previous year.
- ABC Life Insurance Co., Ltd. leveraged the long-term advantages of insurance funds to support the green transformation of the economic structure and the development of ecological civilization. In the first half of the year, the investment in green projects related to sectors such as infrastructure, clean transportation and clean energy reached RMB0.6 billion.
- Adhering to the concept of green leasing, ABC Financial Leasing Co., Ltd. gradually created its distinctive features of green leasing and held a leading position in the industry. It strengthened its business layout in key areas such as clean energy, green transportation and ecological environmental protection to cyclically support the green leasing business. In the first half of the year, the proportion of green leasing in its investment reached 86.66%, and the proportion of balance of green leasing assets accounted for 62.69%.

Cross-border Financial Services

We actively provided services to support served the development of an export-oriented economy and high-quality opening up, supported the Belt and Road Initiative, RMB internationalization and the establishment of pilot free trade zone and Hainan Free Trade Port, the transformation and upgrading of foreign trade and foreign investment. At the end of June 2021, the total assets of our overseas branches and subsidiaries reached USD165.32 billion, representing an increase of 14.4% as compared to the end of the previous year. In the first half of 2021, the net profit of our overseas branches and subsidiaries amounted to USD0.42 billion, the volume of international settlement by domestic branches reached USD741,104 million and the volume of international trade financing (including financing with domestic letters of credit) reached USD69.2 billion.

- We optimized the cross-border integrated financial service system. We implemented integrated operation of local and foreign currency businesses to enhance our cross-border financial service. We accelerated product innovation and digital transformation, and optimized service process. Three online brands for cross-border business, namely, ABC Cross-border E-Remittance, ABC Cross-border E-Certificate and ABC Cross-border E-Finance, were built with our further enhanced customer service capabilities.

¹ Including the balance of the invested green bonds in non-financial institutions (according to the CBIRC) for own account and the balance of the invested green bonds in financial institutions for own account.

Discussion and Analysis

- We supported the Belt and Road Initiative and helped meet the financial demands of enterprises that are “going global”. Responding to the foreign trade situation, the customer demands and new development pattern of “double cycle”, we effectively provided marketing services for “going global” projects, with focus on import and export bills negotiation, export commercial invoice financing, and Easy Construction Finance series. In the first half of 2021, the volume of “going global” related businesses amounted to USD27,505 million, among others, Belt and Road Initiative related businesses amounted to USD1.43 billion.
- We supported the development of Hainan Free Trade Port. As the global strategic partner of the first China International Consumer Products Expo, we successfully held the “Forum on Serving Hainan Free Trade Port and Cross-border Finance”. At the end of June 2021, the Hainan Free Trade Port accounts featuring separate accounting amounted to 1,952, representing an increase of 120.81% as compared to the end of the previous year.
- The cross-border RMB business achieved rapid development, notching a total volume of RMB1.06 trillion in the first half of 2021, representing a year-on-year increase of 19.05%. Actively playing its role as RMB clearing bank, Dubai Branch handled RMB clearing business amounting to RMB17,620 million in the first half of 2021.

Overseas Subsidiary Banks

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 the end of June 2021, the total assets of Agricultural Bank of China (Luxembourg) Limited was USD41 million. It recorded a net gain of USD0.12 million for the first half of 2021.

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 the end of June 2021, the total assets of Agricultural Bank of China (Moscow) Limited was USD164 million. It recorded a net loss of USD0.79 million for the first half of 2021.

In addition, we own Agricultural Bank of China (UK) Limited in the United Kingdom, with a share capital of USD100 million. According to our overseas business development strategy, after the opening of the London branch, the financial license of Agricultural Bank of China (UK) Limited was revoked, and we have been undertaking the procedures needed to close Agricultural Bank of China (UK) Limited.

Distribution Channels

Offline Channels

During the reporting period, we continued to use technology to drive the transformation of our outlets, from our business processing centers to our marketing centers.

- We served rural revitalization and formulated a new development pattern. While stabilizing the total number of branch outlets, we continuously optimized the layout of outlets, and promoted the relocation and establishment of outlets in new urban areas, suburban areas, key towns and other areas to provide strong channel supports for serving rural revitalization and the real economy.
- We strengthened the marketing capability of branch outlets. We strengthened the building of network marketing teams, carried out diversified special trainings, and comprehensively promoted systems such as mobile outlet steward and ecological outlet mapping to enhance marketing effectiveness of branch outlets.
- We enhanced the service capability of branch outlets. We optimized the streamline of branch outlet services and improved the customer experience in marketing, services and operation. We implemented the “more humanized service project” to improve the service environment of branch outlets, enriched personalized and characteristic service items to provide customers with a warmer service experience.
- We strengthened the management of operational safety of branch outlets. We intensified control of key points in prevention of cases of violations, improved the emergency plans and disposal, and enhanced the risk control capability of branch outlets.

Online Channels

- **Mobile Banking.** At the end of June 2021, the total number of personal mobile banking customers reached 384 million, representing an increase of 24 million as compared to the end of the previous year, and the transaction volume for the first half of 2021 was RMB42.6 trillion, representing a year-on-year increase of 24.8%. The total number of corporate mobile banking customers reached 3.60 million, representing an increase of 0.64 million as compared to the end of the previous year, and the transaction volume for the first half of 2021 was RMB859.07 billion.
- **Internet Banking.** At the end of June 2021, the number of registered customers in personal Internet banking reached 378 million, increased by 22 million as compared to the end of the previous year, and the transaction volume for the first half of 2021 reached RMB13.1 trillion. The number of customers of our corporate financial service platforms reached 8,949 thousand, increased by 634 thousand as compared to the end of the previous year, and the transaction volume for the first half of 2021 was RMB139.2 trillion, representing a year-on-year increase of 39.6%.
- **Self-service Banking.** We continued to improve the basic service ability of the facilities in foundation-level branch outlets. We launched the establishment of the unified intelligent terminal platform and optimized the process of self-service facilities. At the end of June 2021, we had 68.1 thousand sets of cash-related self-service facilities and 21 thousand sets of self-service terminals, with 11.9273 million daily average transactions.

Discussion and Analysis

Remote Channels

We accelerated digital transformation of remote banking with remarkable advancement in the service capability of remote channels. In the first half of 2021, our all-media customer service (including voice, online, video and new media) reached 135 million customers, among which, 39.02 million calls handled by customer service staff, with a customer satisfaction rate of 99.68%.

- Our digital transformation demonstrated notable performance. We opened the “Agricultural Bank of China Cloud Customer Service” WeChat account, and established the “ABC Customer Service Girl” and Maizijun “Remote Banking Classroom” service brands to enhance remote smart and self-service customer experience. In the first half of 2021, our smart robot served 66.56 million customers, representing a year-on-year increase of 375.82%. Our online service handled by staff helped 3.17 million customers, representing a year-on-year increase of 33.34%. Our new media customer service reached 26.53 million customers.
- We improved the synergies among our channels to provide coordinated services. We expanded service scenarios via remote video, such as remote interview before granting a loan to private business, remote expert support provided in super counter and smart shelves.
- We improved the customer experience of remote service. We launched “One Key Reach” staff service and no-queue service through voice and online channels to provide convenient financial services for special groups and elderlies. We used intelligent technologies to carry out services such as bank-enterprise reconciliation, ETC wallet repayment reminder and outbound calls for intelligent risk control of online finance, to provide better and convenient service for customers.

Integrated Operations

We have established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance, debt-to-equity swap and wealth management businesses to continuously implement the strategy of integrated operation. In the first half of 2021, our six subsidiaries of integrated operation focused on principal businesses, delved into respective professional territory and operated prudently regarding the development strategy of the Group. Their market competitiveness steadily improved and synergy of the Group’s integrated operation was achieved gradually.

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, monetary funds and FOF funds. At 30 June 2021, its total assets and net assets amounted to RMB4,253 million and RMB3,881 million, respectively. It recorded a net profit of RMB287 million for the first half of 2021.

It further diversified the layout of products and businesses, improved its investment research capabilities, enhanced risk control and compliance management, with its steadily improved market competitiveness. In the first half of 2021, it established 6 new publicly offered funds, and the scale of the publicly offered fund reached RMB268.1 billion. With respect to the equity fund, the scale reached RMB66.7 billion and yield rate reached 14.02%, ranking first among fund companies of banks.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong SAR in November 2009 with a share capital of HKD4,113 million, 100% of which was held by the Bank. ABC International Holdings Limited is eligible to engage in providing comprehensive and integrated financial services in Hong Kong SAR, including sponsor and underwriter for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation, and is also eligible to engage in businesses including private fund management, financial consultation, investment in mainland China. At 30 June 2021, its total assets and net assets amounted to HKD53,879 million and HKD10,670 million, respectively. It recorded a net profit of HKD902 million for the first half of 2021.

Its competitiveness in the market of core investment banking business rose steadily. In the first half of 2021, it completed 3 IPO sponsorship projects and 13 underwriting projects, and participated in 5 of the top 10 Hong Kong IPO projects in terms of financing scale. It ranked fourth among all Chinese and foreign investment banks in Hong Kong SAR in terms of the number of underwriting projects. It completed the issuance of 45 bond offerings, including USD bonds, EUR bonds and RMB bonds, representing a year-on-year increase of 50% in terms of number of issuances.

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. Its 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 deposits 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 of controlled subsidiaries and project companies, and other businesses approved by the CBIRC. At 30 June 2021, its total assets and net assets amounted to RMB70,839 million and RMB10,258 million, respectively. It recorded a net profit of RMB250 million for the first half of 2021.

It focused on leasing business again and services for the development of County Areas, green industries, advanced manufacturing and the people's livelihood. The scale of leasing assets grew steadily, the business structure was optimized continuously, and the featured operations were noticeable, thereby its high-quality leasing assets increased steadily. At the end of June 2021, the balance of leasing assets amounted to RMB67.843 billion, increased by 9.8% as compared to the end of the previous year.

Discussion and Analysis

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2.95 billion, 51% of which was held by the Bank. 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 2021, its total assets and net assets amounted to RMB120,075 million and RMB8,508 million, respectively. It recorded a net profit of RMB848 million¹ for the first half of 2021.

It achieved steady optimization of business structure and steady growth of long-term value. In the first half of 2021, its total premium income was RMB23.16 billion, representing a year-on-year increase of 12.7%. It continuously promoted the construction of the integrated risk control system, and effectively improved the capability and level of risk control. It maintained good conditions in all aspects of operations, such as business structure, operation performance and social contribution. It was awarded the Class A regulatory evaluation in the composite risk rating for the first quarter of 2021.

ABC Financial Asset Investment Co., Ltd.

The registered capital of ABC Financial Asset Investment Co., Ltd. was RMB20 billion, 100% of which was held by the Bank. Its principal scope of business includes: focusing on debt-to-equity and ancillary supporting business, conducting public fund raising from qualified public investors for debt-to-equity in accordance with relevant laws and regulations, issuance of financial bonds for debt-to-equity, as well as other businesses as approved by the CBIRC. At 30 June 2021, its total assets and net assets amounted to RMB120.934 billion and RMB22.269 billion, respectively. It recorded a net profit of RMB695 million for the first half of 2021.

It served the supply-side structural reform and the high-quality development of the economy, focusing on the primary business of market-oriented debt-to-equity, and endeavoring to develop key fields, such as rural revitalization, green and clean energy, science and technology innovation, and distressed asset risk resolution, with positive results. At the 30 June 2021, it completed a total of 181 debt-to-equity swap projects, amounting to RMB237.5 billion. It held a leading position among comparable peers both in terms of the cumulative number and the amount of completed debt-to-equity swap projects.

¹ In order to be consistent 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 is 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 RMB12.0 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-mentioned properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the above-mentioned properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the CBIRC. At 30 June 2021, its total assets and net assets amounted to RMB13.980 billion and RMB13.891 billion, respectively. It recorded a net profit of RMB585 million for the first half of 2021.

2021 is the last year of the transition period for the implementation of the *Guiding Opinions regarding Asset Management Business of Financial Institutions*. The subsidiary has engaged in various measures such as innovative product design, enriched product functions, improved product layouts, and optimized the customer experience, etc. in order to steadily promote the exit or renewal of previous products and the roll-out of new products. As a result, it ranked among the top in the industry in terms of asset management scale and the raising efficiency of net worth product was significantly improved. At 30 June 2021, the balance of the wealth management products of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB1,117,485 million. These wealth management products were all net worth ones, among which publicly offered wealth management products accounted for 97.6% and privately offered wealth management products accounted for 2.4%.

- We stably invested in wealth management. We forecasted the market trends and promptly adjusted asset allocation strategy and effectively hedged against market volatility. At the end of June 2021, the net value of net worth wealth management products in line with the *Guiding Opinions regarding Asset Management Business of Financial Institutions* remained above 1.
- We implemented the strategy of rural revitalization. We launched the first series of wealth management products for rural revitalization and expanded the sales scope from Huinong Card holders to all customers in counties. In the first half of 2021, the scale of existing wealth management products under the series of rural revitalization and Huinong amounted to RMB10 billion. We participated in the establishment of Guangdong Nongheng Rural Revitalization Fund, the first provincial rural revitalization fund with the participation of banking institutions in China. The cumulative input of wealth management funds in Sannong in the first half of 2021 exceeded RMB30 billion.
- We continuously enhanced the brand image. In the 11th “Golden Pixiu Award” in 2020 organized by *Finance & Wealth Management*, we were awarded “Gold Brand for High-growth Financial Institution of the Year” and “Gold Brand Innovative Financial Product of the Year”.

In addition, we own China Agricultural Finance Company Limited in Hong Kong SAR with a share capital of HKD588.79 million, 100% of which was held by the Bank.

Discussion and Analysis

FinTech

During the reporting period, we applied frontier technologies in financial technology and focused on safe production and innovation empowerment to deeply carry out our “iABC” strategy in information technology to promote the establishment of an intelligent, user-oriented and resources and capabilities integrated ABC with FinTech as its impetus, and continued to improve the scientific and technological support and empowerment level.

Focusing on FinTech Innovation

The Bank set up a financial technology innovation center in Xiong’an and built an innovation incubation center and a pilot field for innovation achievements. We strengthened the construction of basic capabilities of financial technology, and empowered the high-quality development of business operations.

- Regarding the application of Big Data technology, we promoted in-depth data integration and common data accumulation and provided one-stop exclusive data services. As at the end of June 2021, the total effective data exceeded 13PB.
- Regarding the application of cloud computing technology, we promoted the construction of an integrated financial cloud platform, and all new applications were put into operation based on the cloud platform. All the existing disaster recovery systems of branches were integrated into the cloud platform, and the physical nodes of the cloud platform of the head office reached 11,000. The pilot project of a full independent and controllable technology stack resource pool was put into operation.
- Regarding the application of AI technology, we applied technologies such as face recognition, OCR recognition and natural language processing to enhance the perception ability of AI platform; we explored knowledge graphs, recommendation engine, automated machine learning and other technologies to improve the thinking ability of the AI platform. We promoted the construction of smart mobile banking, released 6.0 and 6.3 versions of mobile banking, and completed the basic infrastructure upgrade.
- Regarding the application of distributed architecture, we promoted the transformation of core system to distributed architecture, and the distributed core system accounted for 61% of the trading volume on peak trading day.
- Regarding the application of block chain technology, we promoted the application of judicial certificate, electronic contracts and other scenarios; we independently developed the underlying agreement of blockchain BaaS (Blockchain as a Service) platform to continuously improve service capability of the platform.
- Regarding the application of information security technology, we promoted the construction of the new generation of enterprise-level network information Security Operation Center (SOC), and fully deployed the server security protection system to improve the protection ability from unknown attacks.
- Regarding the application of network technology, we fully promoted the deployment of IPv6, and all new Internet applications were based on IPv4/IPv6. Based on the IPv6 section routing technology, we completed the optimization and upgrade of the backbone network structure of 15 branches.

Improving the Level of Guarantee of Our Business Continuity

We focused on the construction of disaster recovery system, improved the high availability of local active-active and the take-over scope of the remote disaster recovery business, improved the coverage and complexity of emergency drills, and comprehensively improved the guarantee level of business continuity.

- The construction of disaster recovery was promoted. Important systems such as quick payment system and personal online banking completed local active-active construction, expanded the construction scope of remote and local disaster recovery, and improved the overall disaster recovery capacity.
- Disaster recovery drills were carried out. We completed the remote switching drill of the core system cross-data center, covering all types of joint machine business, and the system availability rate reached 100%; we carried out a full batch of remote operation drills, which effectively verified the operating capacity of the core system in remote environment.
- We fully launched the integrated production, operation and maintenance platform, opened up the closed loop of “monitoring-management-operation-allocation-analysis” linkage, and promoted the gradual realization of the goal of “integration, digitalization and intelligence” in production, operation and maintenance.
- The transaction volume of production and operation grew rapidly, with the daily average transactions of the core system reaching 0.98 billion, representing a year-on-year increase of 31%; the daily transaction volume reached 1,277 million, reaching a record high. The availability rate of key business hours of the core system was 99.99%.

Strengthening Cyber Security Protection System

- We established an “attack and defense” mechanism for cyber information security, and carried out regular drills to improve the practical ability of cyber attack and defense.
- We strengthened the governance and control of network information security, regularly tracked the security situation of internal and external networks, continuously improved the Internet vulnerability early warning mechanism for quickly early warning and disposition of hidden risks of cyber security.

Discussion and Analysis

Consumers' Interests Protection

- We continued to improve the consumers' interests protection system. We formulated measures for the protection of consumers' interests to protect consumers' interests throughout the whole process. We formulated the Administrative Measures for the Marketing and Advertising of Retail Banking to regulate the marketing and promotion activities, and earnestly fulfilled the appropriate obligations and the obligation of notification and explanation.
- We continued to promote financial services for the elderly customers. We promoted the transformation of the intelligent service system for the elderly customers, and added functions such as exclusive queuing team for elderly customers and call assistance; we launched the large font version of mobile banking, which enlarged the page display, streamlined service functions to provide convenience for elderly customers; we upgraded the telephone banking service for credit cards, which realized the one-click for manual service for elderly customers; we enhanced community financial services, which provided more than 0.12 million house call services for special groups such as elderly customers in the first half of the year.
- We improved the smoothness of complaint channels and strengthened complaint management. Customer consultation and complaint channels were published on branch outlets, official websites and mobile terminal, and special rectification teams were set up for hot issues of credit card customers to improve the efficiency and effectiveness of customer complaint handling, and satisfaction rate for credit card customers reached over 90%.
- We continued to carry out financial protection education and training for employees. We carried out ABC Auditorium lecture series and training courses of ABC University, and included financial consumer protection knowledge into the employee post-qualification examination to improve employees' awareness and ability of consumers' interests protection.
- We strengthened the popularization and promotion of financial knowledge of consumers. We created the financial knowledge publicity and education brand of Small Class for Consumers' Interests Protection and Ka Ka WeChat Class, which innovated the form of publicity and education, enriched the brand connotation, and improved the effectiveness of publicity. We carried out special publicity activities such as "3·15" consumers' interests protection education week, popularizing financial knowledge to protect "wallets" and popularizing financial knowledge for thousands of miles. In the first half of the year, we carried out a total of 86 thousand publicity activities, reaching more than 100 million consumers, and was awarded the excellent organization unit in the activity of "3·15" consumers' interests protection education week by the CBIRC in 2021.

Information Security and Customer Information Protection

We highly valued the importance of information security and customer information protection, integrated customer privacy protection into our corporate culture, and built a sound security protection system in terms of privacy policies, internal policies, and technical safeguards to ensure the security of customer information.

- The Board and senior management highly valued the importance of information security and customer information protection. In the first half of the year, the Board listened to the report of the cyber information security work; the senior management reviewed and studied data security management and clarified the key tasks for 2021.
- We improved the cyber information security policy system. We established a more comprehensive information security system, including management measures, implementation rules and standards, covering application, network, servers, terminals and other fields. During the reporting period, we revised the systems including Management Measures for Network Information Security and the Implementation Rules for the Management of Network Information Security Incidents.
- We strictly implemented privacy policies. According to the personal and the corporate privacy policies, we stipulated the rights and obligations of customers and us in the collection, processing and protection of information, and clarified the rights of customers to access, correct and delete their information.

- We improved the internal management mechanism. We formulated data security management assessment templates and carried out comprehensive data security assessment; we added data security assessment indicators to further strengthen rigid constraints.
- We prevented data leakage. We formulated a terminal data protection technical plan and launched pilot programs at the branches.
- We strengthened the protection of customer information. In accordance with the latest regulatory requirements, we refined the management and control requirements and measures for key activities such as collection, transmission and use of customer information based on information systems to enhance the customer information protection.
- We strengthened publicity and education. With the continuous follow-up on changes in laws, regulations and regulatory requirements, we released monitoring briefings on a quarterly basis; we incorporated customer information protection into the regular and continuous training and education of employees, and regularly carried out publicity and education on customer information protection.

Human Resources Management and Institution Management

Human Resources Management

Human Resources and Institutional Reform

During the reporting period, the Bank deepened the organizational system and human resources reform based on the digital transformation strategy and business development needs.

- We implemented the strategic deployment of the Central Committee of the Communist Party of China and set up a rural revitalization finance department at the head office, branches and sub-branches to provide organizational guarantee for the Bank's financial services to effectively connect consolidation and expanding the achievements of poverty alleviation and rural revitalization.
- We established a financial technology innovation center in Xiong'an and prepared to set up a network security operation center to continuously strengthen the allocation of digital transformation resources.
- We continued to optimize the layout of grassroots operations, streamlined the internal departments of branches and sub-branches, reduced the proportion of middle- and back- office institutions and personnel, and increased the number of frontline personnel.

Development and Cultivation of Human Resources

During the reporting period, we strived to cultivate a pool of competent and professional employees, and we actively implemented the strategy of leveraging talent to empower the Bank's operations.

- We promoted the optimization of the leadership team structure and echelon construction, focused on cultivating front-line talents, major strategic tasks, and difficult and tough environments, and selected outstanding talents to the county of aid and act as the "first secretary" in the village.
- We strengthened the training and development of professional talents in digital transformation and key areas, optimized the selection and management mechanism of professional positions, coordinated and promoted the development of young talents, and facilitated the improvement of the overall quality and structure of the human resources.

Discussion and Analysis

- We organized spring recruitment, increased the number of recruitments in strategic regions, and solidified the strength of grassroots personnel and scientific and technological talent team.
- We closely followed the “Sannong” County Areas, green finance and digital operation strategy, and carried out hierarchical and classified training. We established the “Training Base of Service for Rural Revitalization of Agricultural Bank of China” in cooperation with China Agricultural University, and held 35 special training sessions on rural revitalization in the first half of the year, with 2,893 participants.
- We launched a new generation of online learning platform, facilitated the applications of “smart classrooms” and “smart broadcast centers”, and promoted the construction of systemization of teaching materials, curriculum and teachers, colleges specialization and intelligent platform.

Information on Employees

We had a total of 454,081 in-service employees (and 6,715 dispatched employees) at the end of June 2021. Among them, 723 employees were employed by our overseas branches, subsidiary banks and representative offices, and 8,776 employees were employed by the subsidiaries with integrated operations and the rural banks.

Distribution of Employees by Region

	30 June 2021	
	Number of Employees	Percentage (%)
Head Office	11,894	2.6
Yangtze River Delta	62,442	13.8
Pearl River Delta	49,563	10.9
Bohai Rim	64,773	14.3
Central China	93,741	20.6
Northeastern China	43,624	9.6
Western China	118,545	26.1
Overseas Branches, Subsidiaries and Representative Offices	723	0.2
Subsidiaries with Integrated Operations and Rural Banks	8,776	1.9
Total	454,081	100.0

Information on Institutions

At the end of June 2021, we had 22,889 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), 398 tier-2 branches (including business departments of branches in capital cities of provinces), 3,362 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), 19,032 foundation-level branch outlets (including 14,231 tier-2 sub-branches) and 51 other establishments. We had a total of 13 overseas branches and three overseas representative offices, including branches in Hong Kong SAR, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Tokyo, Frankfurt, Sydney, Luxemburg, Dubai, London, Macao SAR and Hanoi, and representative offices in Vancouver, Chinese Taipei and Sao Paulo. Besides, we had 16 major controlled subsidiaries, including subsidiaries with integrated operations, overseas subsidiary banks and rural banks. Details referred to “Business Review — Integrated Operations”, “Business Review — Cross-border Financial Services” and “County Area Banking Business — Rural Banks” under “Discussion and Analysis”.

Number of Domestic Branch Outlets by Regions

	30 June 2021	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office ¹	9	—
Yangtze River Delta	3,013	13.2
Pearl River Delta	2,392	10.4
Bohai Rim	3,289	14.4
Central China	5,161	22.5
Northeastern China	2,213	9.7
Western China	6,812	29.8
Total	22,889	100.0

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

Discussion and Analysis

County Area Banking Business

We provide customers in the County Areas with comprehensive financial services through all our branch outlets located in counties and county-level cities (i.e. County Areas) in China. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, actively following our strategic positioning of building a leading bank in rural vitalization, we steadily promoted the consolidation of achievements of poverty alleviation and financial services for rural vitalization, continuously perfected the operation mechanism and policy system of the County Area Banking Division, and enhanced the product innovation and digital transformation of Sannong, with our service capabilities and market competitiveness steadily enhanced.

Management Mechanism

During the reporting period, earnestly implementing the national decisions and arrangements to consolidate the achievements of poverty alleviation and comprehensive rural vitalization, we constantly increased our financial support. The mechanism of County Area Banking Division was in good operation and with strong support, and the development of County Area Banking Business remained stable with a favorable trend.

- **We issued differentiated policies.** We introduced policies to support rural vitalization and County Areas Banking Business for 2021, allocated total expense budget for County Areas separately, adopted preferential policies to allocate credit scale, economic capital and fixed assets to the County Area Banking Division, and earmarked special financial resources for the marketing of County Area Banking Business and construction of major digital scenarios in the County Areas.
- **We optimized the credit policies for County Areas.** We formulated the *Sannong Credit Policy Guideline* for 2021 and optimized the access threshold for farmers' specialized cooperative customers. We optimized the innovation policies of credit products for agriculture, forestry, animal husbandry, fishery, "National Emerging Industrialization Demonstration Zones" in County Areas and national parks (bases), etc. We incorporated the business in those former areas with deep poverty, 832 former key counties of national poverty alleviation and major counties supported under the rural vitalization plan as well as the loans for grain, modern seed industry and high-standard farmland construction into the scope of preferred settlement.
- **We improved the performance evaluation mechanism for Sannong.** We issued the performance evaluation plan for the County Area Banking Division for 2021, conferred high weights on the financial service indicators for rural vitalization, and continuously optimized the evaluation for the digital transformation of the County Areas.
- **We accelerated the digital transformation in County Areas.** We vigorously developed online credit business and speeded up the registration process of rural households and development of Huinong E-loan. We vigorously promoted the application of mobile banking in county version and organized the activities of constructing the mobile banking demonstration villages. We selected to pilot the development of smart agricultural scenarios in three agricultural segments, being apple, tea and beef cattle.
- **We deepened the institutional and human resource reform in the County Areas.** We set up the Rural Vitalization Banking Department at the Head Office and branches based on the County Area Banking Division and optimized the outlet network of sub-branches. We strengthened the business training and talents cultivation in relation to the County Area Banking Business, established the ABC Training Base for Rural Vitalization through cooperation with China Agricultural University and organized a series of training workshops for rural vitalization in collaboration with the Renmin University of China and China Agricultural University.

County Area Corporate Banking Business

We actively carried out the national strategy for rural vitalization, continuously strengthened product innovation and digital transformation, and promoted the County Area Corporate Banking Business to a new stage. At the end of June, the balance of loans to corporate customers in the County Areas (excluding discount bills) totaled RMB3,258.4 billion, representing an increase of RMB342.8 billion over the end of the previous year.

- **We continuously strengthened the financial services related to food security.** At the end of June, we recorded a balance of food security loans up to RMB195.1 billion, representing an increase of RMB77.8 billion or 66.3% over the end of the previous year. We accumulatively extended farmland development loans of RMB54.6 billion, supported 195 farmland development projects, and supported the reclamation and reconstruction of 1,864.8 thousand mu of farmland to increase 510.4 thousand mu new farmland.
- **We actively supported the development and growth of rural industries.** At the end of June, the balance of rural industry loan amounted to RMB549.1 billion, increased by RMB59.8 billion or 12.2% compared to the end of the previous year, higher than the growth rate of County Area loans by 0.76 percentage point. The loan balance with leading agricultural industrialization enterprises grew by RMB15.9 billion to RMB188.4 billion over the end of the previous year. The balance of loans related to pig production increased by RMB11.4 billion to RMB66.9 billion as compared to the end of the previous year.
- **We vigorously supported the rural area construction and new urbanization construction.** At the end of June, the loan balance of rural area construction grew by RMB112.7 billion as compared to the end of the previous year to RMB1,227.8 billion. The balance of water conservancy loans increased by RMB28.0 billion to RMB417.1 billion as compared to the end of the previous year.

County Area Retail Banking Business

Keeping close to the financial needs of customers in County Areas, we continuously strengthened the innovation of products, channels and models. Our service capability of County Area Retail Banking Business improved steadily. At the end of June, the balance of loans to retail customers in County Areas amounted to RMB2,537.5 billion, representing an increase of RMB271.8 billion as compared to the end of the previous year.

- **We increased the credit supply of Huinong E-loan.** We continuously optimized the business system and process for Huinong E-loan, broadened the online application channel for farmers, and strengthened the support for merchants, rural residences, family inns, farm complexes and other fields in tourism and scenic spots. At the end of June, the balance of Huinong E-loan amounted to RMB508.2 billion, representing an increase of RMB154.8 billion as compared to the end of the previous year. The number of rural households with credit lines amounted to 3.45 million, representing an increase of 0.69 million as compared to the end of the previous year.
- **We vigorously supported large-scale professional operators, family farms and other emerging agricultural operators.** We actively assisted the Ministry of Agriculture and Rural Affairs to organize the credit express campaign for emerging agricultural operators, supporting their credit needs by increasing lines of credit, enriching guarantee methods and other measures. At the end of June, the balance of loans extended to large-scale professional operators and family farms amounted to RMB204.7 billion, representing an increase of RMB39.2 billion as compared to the end of the previous year.

Discussion and Analysis

Rural Vitalization through Financial Services

Rural Vitalization

The Bank carried out the rural vitalization strategy of the CPC Central Committee and actively provided financial services for rural vitalization with a focus on major areas such as consolidating the achievements of the poverty alleviation, assuring the stable output and supply of important agricultural products, assuring the national food security and promoting industrial development and construction in rural areas.

- **We strengthened the credit support for rural vitalization.** We issued the *Opinions on Providing Financial Services for Rural Vitalization and Accelerating Sannong and County Area Business Development* for 2021, and the *Working Plan to Carry out the Spirit of the Central Conference on Rural Areas and the Number One Document of the CPC Central Committee to Serve Rural Vitalization and Sannong and County Area Business* for 2021, and implemented special marketing for County Area business in depth. At the end of June, the balance of loans in County Areas amounted to RMB5,911.9 billion, representing an increase of RMB606.6 billion as compared to the end of the previous year.
- **We initiated and implemented the Digital Village Project.** We accelerated the construction of Digital Village Project. At the end of June, there were 906 counties contracted at management platform for collectively-owned funds, resources and assets in rural areas, representing an increase of 373; the platform was launched for 684 counties, representing an increase of 240; 97.9 thousand administrative villages were covered by the platform, representing an increase of 33.9 thousand; and 83.9 thousand accounts were opened for rural collective economic organizations, representing an increase of 34.3 thousand over the end of the previous year.
- **We served major customer groups in rural vitalization.** We initiated and implemented the marketing and services for migrant workers, accelerated the construction of the online banking demonstration villages, supported the construction of agricultural product storage, preservation and cold chain facilities in collaboration with agricultural guarantee companies, and actively marketed the Huimin & Huinong Subsidy Integrated Card. At the end of June, the Bank served 2,858.3 thousand migrant workers, opened 12.9 thousand accounts for wage payment to migrant workers, and set up 14,557 mobile banking demonstration villages. The number of active mobile banking customers in the County Areas reached 54.10 million, and the Bank marketed 1,350 agency projects for the Huimin & Huinong Integrated Card and cumulatively distributed 266 million social security cards.
- **We strengthened the innovation of Sannong financial products.** We formulated the *Opinions on Developing Hit Products Serving Rural Vitalization* for 2021, drew 19 hit products for Sannong and ten characterized products to be replicated and promoted in County Areas, and prepared the manual of major products serving rural vitalization. We increased the number of bases for Sannong innovative products and opened five new bases in Shandong, Zhejiang, Xinjiang and other branches. At the end of June, the Bank had a total of 245 exclusive credit products to rural vitalization, including 28 Bank-wide and 217 characterized branch-level products.

Consolidating and Expanded the Achievements of the Poverty Alleviation

The Bank echoed the requirement of the CPC Central Committee to effectively combine the consolidation and expansion of poverty alleviation achievements with rural vitalization, focused on 832 former key counties of national poverty alleviation and rural low-income population. We insisted on no overall change in financial support policies, no deviation in target and no reduction in effort, and basically kept stable the credit support policy and growth rate.

- **We expanded the credit extension to the regions getting rid of poverty.** At the end of June, the loan balance with the 832 former key counties of national poverty alleviation reached RMB1,417.3 billion, representing an increase of RMB134.2 billion or 10.5% over the end of the previous year, higher than the average loan growth rate of the Bank by 1.5 percentage points, and representing 134.2% of the loan growth target for the full year.

- **We insisted on designated poverty alleviation.** We formulated the *Opinions on Insisting on Designated Poverty Alleviation* and promulgated the working plan for 2021. We selected acting cadres, provided special support funds, assisted investment promotion, trained foundation-level cadres in paring support counties, and actively built a batch of rural vitalization demonstration sites.
- **The eastern and western branches collaborated to create a new situation.** We optimized the collaboration mechanism between the eastern branches and the western branches and adjusted the collaboration between them. The branches in the eastern region took the initiative to join the east-west collaboration of the local governments, provided the local governments with integrated financial services, including financing and settlement for industrial projects under the east-west collaboration framework. Moreover, they helped the western regions introduce projects, cultivate industries and transmit talents.

Rural Banks

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 RMB31.00 million, 50% of which was held by the Bank. At 30 June 2021, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB336 million and RMB59 million, respectively. It recorded a net profit of RMB390.4 thousand in the first half of the year.

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 2021, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB209 million and RMB43 million, respectively. It recorded a net profit of RMB3.1411 million in the first half of the year.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai District, Yan'an City, Shaanxi Province, with a registered capital of RMB40.00 million, 51% of which was held by the Bank. At 30 June 2021, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB519 million and RMB54 million, respectively. It recorded a net loss of RMB2.0426 million in the first half of the year.

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 2021, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB375 million and RMB36 million, respectively. It recorded a net loss of RMB6.5118 million in the first half of the year.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in April 2012 in Yongkang City, Jinhua City, Zhejiang Province, with a registered capital of RMB0.21 billion, 51% of which was held by the Bank. At 30 June 2021, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB704 million and RMB261 million, respectively. It recorded a net profit of RMB5.4610 million in the first half of the year.

Discussion and Analysis

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in May 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB0.15 billion, 51% of which was held by the Bank. At 30 June 2021, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1,125 million and RMB189 million, respectively. It recorded a net profit of RMB4.9409 million in the first half of the year.

Financial Position

Major Items of Assets and Liabilities of the County Area Banking Business

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	5,911,905	–	5,305,305	–
Allowance for impairment losses on loans	(271,461)	–	(247,205)	–
Loans and advances to customers, net	5,640,444	54.6	5,058,100	52.5
Intra-bank balance ¹	3,747,869	36.3	3,739,471	38.8
Other assets	940,227	9.1	840,801	8.7
Total assets	10,328,540	100.0	9,638,372	100.0
Deposits from customers	9,347,741	97.4	8,754,484	97.9
Other liabilities	249,769	2.6	187,969	2.1
Total liabilities	9,597,510	100.0	8,942,453	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.

Major Income Items of the County Area Banking Business

In millions of RMB, except for percentages

Item	Six months ended	Six months ended	Increase/ (decrease)	Growth rate (%)
	30 June 2021	30 June 2020		
External interest income	124,639	111,785	12,854	11.5
Less: External interest expense	68,445	58,826	9,619	16.4
Interest income from intra-bank balance ¹	68,026	58,701	9,325	15.9
Net interest income	124,220	111,660	12,560	11.2
Net fee and commission income	18,341	17,391	950	5.5
Other non-interest income	669	(9)	678	–
Operating income	143,230	129,042	14,188	11.0
Less: Operating expenses	42,544	39,699	2,845	7.2
Credit impairment losses	40,216	32,806	7,410	22.6
Impairment losses on other assets	5	9	(4)	-44.4
Total profit before tax	60,465	56,528	3,937	7.0

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 of the County Area Banking Business

Unit: %

Item	Six months ended 30 June 2021	Six months ended 30 June 2020
Average yield of loans	4.47*	4.70*
Average cost of deposits	1.54*	1.46*
Net fee and commission income to operating income	12.81	13.48
Cost-to-income ratio	29.03	29.95

Item	30 June 2021	31 December 2020
Loan-to-deposit ratio	63.24	60.60
Non-performing loan ratio	1.51	1.52
Allowance to non-performing loans	304.72	307.31
Allowance to loan ratio	4.60	4.67

* Annualized figures.

Discussion and Analysis

Risk Management and Internal Control

Risk Management

In the first half of 2021, faced with complex internal and external situations, the Bank continued to improve its comprehensive risk management system, prudently prevented and defused risks in key areas, and kept all kinds of risks under control. We conducted a business risk reassessment and revised the Group's statement of risk appetite and overall risk management strategies. We carried out loan risk classification thoroughly and constantly strengthened the recovery and disposal of non-performing assets, maintaining asset quality stable for the Bank. We optimized the market risk management system and strengthened the monitoring of market risk exposure limit, maintaining our overall market risk stable. We strengthened the operational risk management and control, enhanced the construction of risk prevention and control system, and focused on IT risk management and business continuity management. We strengthened the management of financial product innovation, implemented relevant institutional requirements for product innovation management, and standardized the risk assessment and review process for product innovation. We enhanced the development of risk data marts and risk management information systems, and promoted the integration of effective risk data and the regulatory compliance of risk reporting. We made efforts to promote the implementation of Basel III, and accelerated the project construction of new measurement methods for credit risk, market risk and operational risk.

Credit Risk

In the first half of 2021, implementing national macro-control policies, we continued to improve our credit risk management system. We strengthened the risk prevention and control in key areas and the industry-specific credit limit management. We further enhanced the collection and disposal of non-performing loans, thus maintaining our asset quality stable.

Credit Risk Management Structure

The structure of our credit risk management mainly comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, Credit Approval Committee, Asset Disposal Committee, as well as Credit Management Department, Credit Approval Department, Risk Management Department and various front offices, forming a credit risk management structure characterized with centralized and unified management and multi-level authorization.

Risk Management of Corporate Banking Business

We improved the credit policies. Comprehensive policies were formulated including the annual credit policy guideline, Sannong and inclusive finance credit policy guidelines. Credit policies for computer manufacturing, air transportation, industrial Internet and other industries were formulated or revised. Differentiated regional credit policies were introduced. The requirements for environmental and social risk management were applied into every procedure of our credit business, including due diligence, review, approval, credit management and post-disbursement management.

We enhanced the credit risk management in key areas. We strengthened risk management for traditional industries, especially those with excess production capacity. For industries such as steel, cement, electrolytic aluminum, plate glass, shipbuilding and coal, we strengthened the customer access management, strictly enforced industry quotas, implemented strict credit authorization, and enhanced risk monitoring to ensure that risks were under control. We strictly implemented regulatory requirements on the concentration of real estate loans and strengthened risk prevention and control in the real estate industry. We strengthened the management of the use of funds for all types of business purpose loans and strictly guarded against the illegal flow of business purpose loans into the real estate sector. We attached great importance to commodity price fluctuations and their impact, prudently dealt with credit risks related to commodity price fluctuations, and strengthened the prevention and control of credit business risks in commodity related industries.

We constantly improved the risk management and control system of online credit business. We improved the online credit business system, revised the Internet loan management measures, and steadily promoted the construction and operation of the digital risk control center.

We strengthened post-disbursement management and the collection and disposal of non-performing assets. We enhanced the management of special-mentioned loans. We strengthened risk monitoring, strictly implemented classification standards, and defined control measures to effectively reduce the risk of deterioration of special-mentioned loans. We carried out centralized monitoring of large group clients, strengthened risk monitoring of overseas branches, sub-branches and subsidiaries, and actively yet prudently promoted risk mitigation of large clients. We enhanced the disposal of non-performing loans by implementing the disposal strategies of more collection, more write-off, more restructuring and prudent transfer in batches. Riding on the basis of self-collection, we also intensified our effort on bad debts written-off, actively conducted non-performing corporate loans restructuring, and strengthened the disposal of projects with large amount.

Risk Management of Retail Banking Business

We promoted the construction of retail loan centralized operation center from the aspects of system construction, system optimization and process improvement. We improved the retail loan systems, deeply applied the digital transformation results into the whole process of product launch, credit extension and usage and post-disbursement management, continuously improved the risk control level of anti-fraud, use control, interactive early warning and other aspects, and therefore enhanced the refined management level of retail loan risks. By making full use of various collection means and combining remote collection with local collection, we improved the efficiency of judicial collection and disposal, and continuously strengthened the management of overdue loan collection. We accelerated the write-off of retail non-performing assets and carried out online loan write-off and disposal.

Risk Management of Credit Card Business

Retaining a prudent risk appetite, we promoted the construction of the intelligent, differentiated, intensive and integrated credit card smart risk control system. We strengthened the pre-loan precise and differentiated credit extension, and brought forward the risk control gateways; enhanced loan credit risk control and monitoring, and promoted credit card risk monitoring system upgrading; and improved the disposal effect through post-loan write-off and asset securitization, thus keeping our credit card asset quality at the forefront of the industry.

Risk Management of Treasury Business

We improved the whole-process risk management mechanism for treasury business by optimizing the management of credit bonds before, during and after investment. We constantly monitored the risk profiles of credit customers and counterparties in relation to our existing treasury business, timely updated the list of existing credit customers that required special attention and dynamically adjusted the measures to address risks. We implemented the integration of investment and research for treasury business group, and improved the reporting and sharing mechanism of monthly monitoring reports on treasury business of subsidiaries and overseas branches and sub-branches.

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 the 12-category classification system. Risk level of loans was reflected through comprehensive evaluations on customer default risk and debt transaction risk. 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 to reflect loan quality objectively.

Discussion and Analysis

Credit Risk Analysis

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	7,404,623	44.9	6,978,616	46.1
Loans secured by pledges	2,392,145	14.5	2,292,233	15.1
Guaranteed loans	1,734,106	10.5	1,689,444	11.2
Unsecured loans	4,969,837	30.1	4,175,828	27.6
Sub-Total	16,500,711	100.0	15,136,121	100.0
Accrued interest	38,626	–	34,321	–
Total	16,539,337	–	15,170,442	–

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	72,980	0.4	78,228	0.5
Overdue for 91 to 360 days (including 360 days)	52,004	0.3	60,793	0.4
Overdue for 361 days to 3 years (including 3 years)	43,441	0.3	43,749	0.3
Overdue for more than 3 years	13,844	0.1	12,663	0.1
Total	182,269	1.1	195,433	1.3

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, storage and postal services	98,226	0.60
Borrower B	Transportation, storage and postal services	38,166	0.23
Borrower C	Transportation, storage and postal services	38,139	0.23
Borrower D	Transportation, storage and postal services	36,679	0.22
Borrower E	Transportation, storage and postal services	28,212	0.17
Borrower F	Transportation, storage and postal services	28,144	0.17
Borrower G	Transportation, storage and postal services	27,639	0.17
Borrower H	Production and supply of electricity, heating, gas and water	25,000	0.15
Borrower I	Transportation, storage and postal services	21,312	0.13
Borrower J	Production and supply of electricity, heating, gas and water	20,750	0.13
Total		362,267	2.20

At 30 June 2021, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 3.41% 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 carried out measurement, monitoring and system optimization of large risk exposures in an orderly manner, submitted regulatory statements and management reports on schedule, and continuously improved our measurement and management capability of large risk exposures.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	15,993,709	96.93	14,594,673	96.42
Special mention	259,658	1.57	304,335	2.01
Non-performing loans	247,344	1.50	237,113	1.57
Substandard	100,131	0.61	62,873	0.42
Doubtful	129,911	0.79	152,627	1.01
Loss	17,302	0.10	21,613	0.14
Sub-Total	16,500,711	100.00	15,136,121	100.00
Accrued interest	38,626	–	34,321	–
Total	16,539,337	–	15,170,442	–

At 30 June 2021, the balance of our non-performing loans was RMB247,344 million, representing an increase of RMB10,231 million as compared to the end of the previous year; and the non-performing loan ratio dropped by 0.07 percentage point to 1.50% as compared to the end of the previous year. The balance of special mention loans was RMB259,658 million, representing a decrease of RMB44,677 million as compared to the end of the previous year; and the special mention loans accounted for 1.57% of the total loans, representing a decrease of 0.44 percentage point as compared to the end of the previous year.

In the first half of 2021, based on the general principle of seeking progress while maintaining stability, the Bank maintained overall stability of asset quality by optimizing resource allocation, strengthening risk management and control, promoting reform and innovation, and consolidating the management foundation. We continued to optimize the structure of credit assets, and increase the credit support in key areas such as rural revitalization, green and low-carbon, transformation and upgrading of manufacturing, and national regional development strategies. We paid close attention to industry, regional and customer risks in key areas, strictly identified non-performing loans, and formulated targeted control plans to adhere to a strict approach to risk limitation of preventing systemic financial risks. We strengthened the credit management of industries with overcapacity, carried out centralized monitoring of large group customers, adopted proactive measures to prevent and defuse risks, and strictly prevented the occurrence of new non-performing loans. We optimized the online business risk management processes and policies to strengthen online loan risk monitoring. We diversified the channels for collection and disposal of non-performing loans, and further strengthened the disposal of non-performing loans.

Discussion and Analysis

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

Item	30 June 2021			31 December 2020		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	207,903	84.1	2.31	192,551	81.2	2.37
Short-term corporate loans	101,665	41.1	3.79	93,614	39.5	3.79
Medium- and long-term corporate loans	106,238	43.0	1.68	98,937	41.7	1.75
Discounted bills	–	–	–	–	–	–
Retail loans	33,245	13.4	0.49	38,300	16.2	0.62
Residential mortgage loans	15,869	6.4	0.32	17,655	7.5	0.38
Credit card balances	6,793	2.7	1.10	8,430	3.6	1.55
Personal consumption loans	2,623	1.1	1.54	3,647	1.5	2.04
Loans to private business	3,302	1.3	0.73	3,231	1.4	0.85
Loans to rural households	4,636	1.9	0.80	5,308	2.2	1.22
Others	22	–	6.81	29	–	4.26
Overseas and others	6,196	2.5	1.30	6,262	2.6	1.51
Total	247,344	100.0	1.50	237,113	100.0	1.57

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2021			31 December 2020		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	67,098	32.4	4.52	67,523	35.1	5.08
Production and supply of electricity, heating, gas and water	10,913	5.2	1.09	9,641	5.0	1.04
Real estate	13,270	6.4	1.54	14,209	7.4	1.81
Transportation, storage and postal services	27,443	13.2	1.36	22,000	11.4	1.18
Retail and wholesale	23,739	11.4	5.01	34,978	18.2	8.55
Water, environment and public utilities management	2,169	1.0	0.31	1,916	1.0	0.31
Construction	3,524	1.7	1.21	2,807	1.5	1.31
Mining	21,122	10.2	10.32	6,225	3.2	3.25
Leasing and commercial services	32,099	15.4	2.23	26,040	13.5	2.07
Finance	7	–	–	55	–	0.02
Information transmission, software and IT services	922	0.4	1.65	679	0.3	1.75
Others	5,597	2.7	1.81	6,478	3.4	2.34
Total	207,903	100.0	2.31	192,551	100.0	2.37

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2021			31 December 2020		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	1,305	0.5	0.40	1,369	0.6	0.39
Yangtze River Delta	30,315	12.3	0.78	30,533	12.9	0.88
Pearl River Delta	15,105	6.1	0.55	18,451	7.8	0.75
Bohai Rim	58,774	23.8	2.47	65,405	27.6	2.95
Central China	57,130	23.1	2.26	46,009	19.4	2.00
Northeastern China	10,791	4.4	1.85	9,294	3.9	1.68
Western China	67,728	27.3	1.87	59,790	25.2	1.78
Overseas and others	6,196	2.5	1.30	6,262	2.6	1.51
Total	247,344	100.0	1.50	237,113	100.0	1.57

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	Six months ended 30 June 2021			
	Stage I 12-month expected credit losses	Stage II	Stage III	Total
1 January 2021	410,963	60,702	159,541	631,206
Transfer ¹				
Stage I to stage II	(4,857)	4,857	–	–
Stage II to stage III	–	(15,709)	15,709	–
Stage II to stage I	5,672	(5,672)	–	–
Stage III to stage II	–	2,156	(2,156)	–
Originated or purchased financial assets	120,642	–	–	120,642
Remeasurement	9,465	18,136	36,226	63,827
Repayment and transfer-out	(69,036)	(7,631)	(17,066)	(93,733)
Write-offs	–	–	(33,036)	(33,036)
30 June 2021	472,849	56,839	159,218	688,906

- 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.

Discussion and Analysis

Market Risk

During the reporting period, we improved the market risk limit management system and set market risk limits for domestic and overseas operating institutions according to the Group's risk appetite, business nature and capital level. The limit types include exposure limit, stop loss limit, sensitivity limit and value at risk limit, and the business scope covers bond trading, interest rate swap, foreign exchange trading and precious metal trading. In the first half of 2021, the occupation of the Bank's market risk limit remained stable, the Group did not break the limit, and our market business risks were generally controllable.

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. We select reasonable model parameters and risk factors based on the differences between domestic and overseas markets to truly reflect the market risk level, and test the accuracy and reliability of the risk measurement model through data verification, parallel modeling and return test.

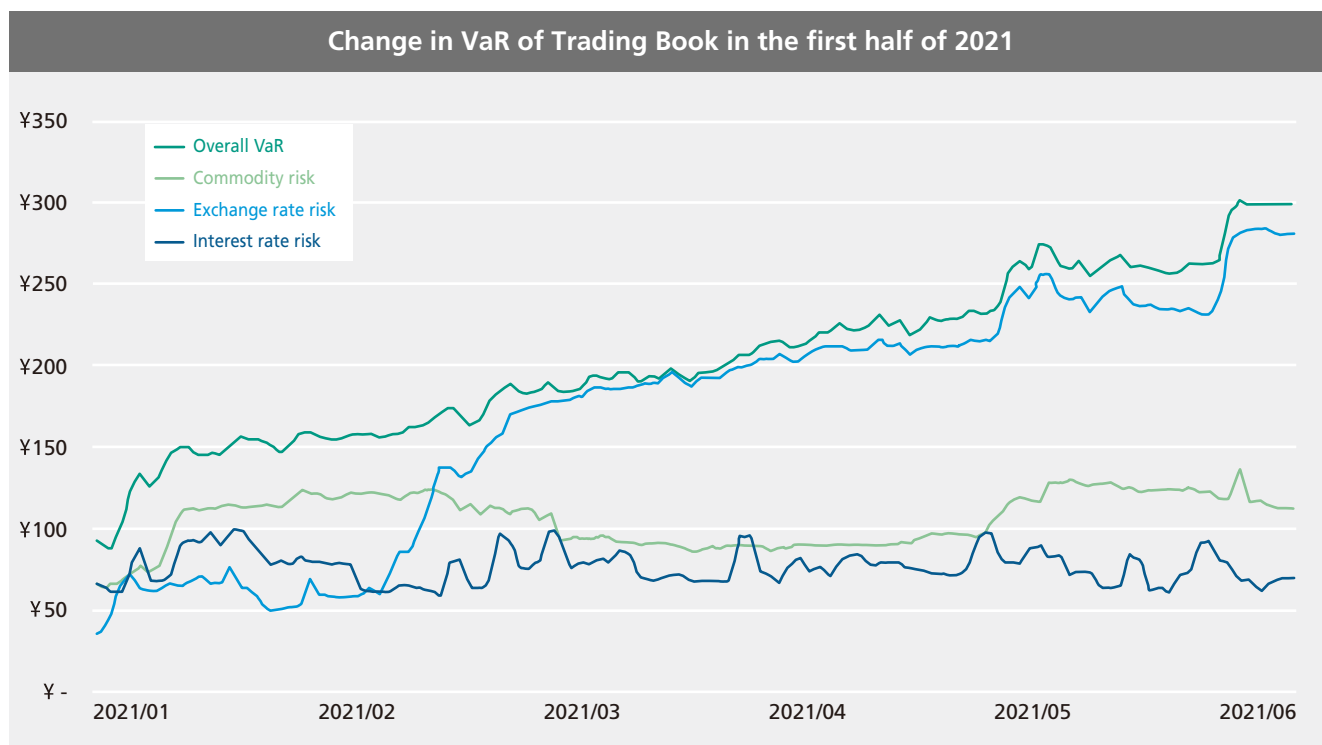
VaR Analysis for the Trading Book

In millions of RMB

Item	Six months ended 30 June 2021				Six months ended 30 June 2020			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	64	76	99	58	115	88	164	52
Exchange rate risk ¹	278	172	284	35	200	161	200	90
Commodity risk	110	105	136	64	87	48	87	9
Overall value at risk (VaR)	296	205	302	87	256	188	256	117

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

In millions of RMB



During the reporting period, since the bond portfolio investments decreased slightly as compared to the same period of the previous year, thus the VaR of interest rate risk decreased slightly as compared to the previous year. As the foreign exchange exposure remained stable, the gold portfolio investments increased, resulting in an increase of the VaR of exchange rate risk as compared to the same period of the previous year. As the net exposure of silver portfolio continuously increased and the volatility of prices increased in the first half of the year, resulting in the VaR of commodity risk being higher than that in the same period of the previous year.

Discussion and Analysis

Market Risk Management for Banking Book

The Bank manages 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

During the reporting period, the Bank paid close attention to the macroeconomic situation, strengthened the monitoring of market interest rates, flexibly adjusted the total size and structure of its asset and liability portfolio, and implemented forward-looking, counter-cyclical pre-adjustments and fine-tuning. We optimized resource allocation through FTP pricing, implemented macro-control requirements, and enhanced support for pandemic prevention and control, poverty alleviation, rural revitalization and inclusive finance. We strengthened the monitoring and evaluation of the interest rate risk system, constantly promoted the optimization of the system and model, and refined the interest rate risk management. During the reporting period, our interest rate risk of banking book remained controllable, while all risk indicators were controlled within the scope of regulatory requirements and management objectives.

Interest Rate Risk Analysis

At 30 June 2021, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB997,679 million, representing a decrease of RMB123,105 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	More than 5 years	Non-interest earning
30 June 2021	(7,131,837)	1,226,710	4,907,448	(997,679)	(356,106)	3,154,260	87,114
31 December 2020	(6,360,968)	818,643	4,421,541	(1,120,784)	194,579	2,914,986	(35,419)

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 2021		31 December 2020	
	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Movements in basis points				
Increased by 100 basis points	(39,721)	(44,205)	(37,556)	(67,941)
Decreased by 100 basis points	39,721	44,205	37,556	67,941

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 2021, 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 RMB39,721 million and RMB44,205 million, respectively.

Exchange Rate Risk Management

In the first half of 2021, we regularly monitored exchange rate risk exposures and performed sensitivity analysis, continued to refine the measurement on exchange rate risk and promote system construction, and flexibly adjusted the trading exchange rate risk exposures through foreign currency matching management, while maintaining non-trading exchange rate risk exposures stable. Therefore, our bank-wide exchange rate risk exposure was controlled within a reasonable range.

The Bank's exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In the first half of 2021, the mid-point rate of RMB against USD appreciated accumulatively by 648 basis points or 0.99%. At 30 June 2021, the foreign exchange exposure of on- and off-balance sheet financial assets/liabilities of the Bank was USD13,365 million.

Foreign Exchange Exposure

	30 June 2021		31 December 2020	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	17,852	2,763	35,270	5,405
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	68,487	10,602	22,625	3,467

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

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax	
		30 June 2021	31 December 2020
USD	+5%	405	1,450
	-5%	(405)	(1,450)
HKD	+5%	1,200	771
	-5%	(1,200)	(771)

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 increase (or decrease) by RMB405 million if USD appreciates (or depreciates) by 5% against RMB.

Discussion and Analysis

Liquidity Risk

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 and Consumers' Interests Protection Committee and the senior management; the execution system comprises liquidity management department, asset and liability business department and information and technology department, 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

The objectives of our liquidity risk management were 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 fulfill 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 external economic and financial situations, monetary policies, and market liquidity, and constantly monitored our bank-wide liquidity condition, so as to anticipate the change trends. 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

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 2021, the Bank faced a complex and volatile internal and external liquidity situation. The global economy gradually recovered, inflation expectations increased, and imbalance rose in the process of economic recovery. China's economy showed a steady recovery, and the monetary policy gradually returned to normal. The challenges we faced in liquidity risk management have changed, mainly reflected in the pressure brought by the increase of liability volatility and the increase of long-term assets on the maturity mismatch management and structural optimization of assets and liabilities.

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. At the end of June 2021, we fulfilled the regulatory requirements with our liquidity ratios for RMB and foreign currency being 59.10% and 151.58%, respectively. The average of the liquidity coverage ratio over the second quarter in 2021 decreased by 2.5 percentage points to 127.3% as compared to the previous quarter. At the end of June 2021, the net stable funding ratio of the Bank was 127.4%, with available stable funding of RMB20,307.3 billion in numerator and the required stable funding of RMB15,943.7 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 2021	22,093	(13,665,037)	940,828	(372,941)	(757,047)	2,824,118	10,545,040	2,350,535	1,887,589
31 December 2020	26,848	(12,801,017)	579,070	(627,463)	215,455	2,442,985	9,706,251	2,411,233	1,953,362

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

In the first half of 2021, we revised the basic operational risk management system and improved the operational risk reporting mechanism. We analyzed the operational risk on a quarterly basis, monitored and analyzed major operational risk events, and improved key risk indicators. We carried out bank-wide operational risk self-assessment to promote the rectification of risks and hidden dangers. We completed the construction and audit of the operational risk management system and case prevention mechanism. We have improved our operational risk management system and strengthened operational risk incident reporting and verification.

Legal Risk Management

We continued the construction of Agricultural Bank of China under the Rule of Law to further promote law-based governance. We improved the "three lines of defense" of legal risk management, and optimized the process and mechanism of legal risk management. We provided legal support for financial services such as digital transformation, peak carbon dioxide emissions and carbon neutrality, interest rate liberalization and rural revitalization. We made timely adjustments to systems, contracts, and products according to the Civil Code. We prevented the risk of intellectual property infringement, and ensured business and product innovation. We prudently handled sensitive and major legal disputes and actively safeguarded the rights and interests of the Bank. We enhanced comprehensive and international management of legal risks, and built an integrated domestic and foreign legal risk management mechanism for the Group. We promoted the culture of rule of law, and carried out publicity on topics such as the Civil Code and intellectual property rights, so as to improve the awareness of the rule of law among all staff.

Reputational Risk

We revised the measures for the management of reputational risks to improve the reputational risk prevention and control system. We strengthened the investigation and early warning of reputation risks, focusing on public opinion prevention and control at critical time points, updated and sorted the public opinion management ledger covering the whole group, and pushed forward the risk prevention and control ports. We enhanced professional training exchanges, collated and prepared typical response cases, and improved the reputation risk management level of the Group. We carried out various forms of positive publicity and guidance to improve our brand image.

Discussion and Analysis

Country Risk

We adopted tools of country risk rating, limit control, exposure monitoring, impairment provisions and stress tests to manage country risks. In the first half of the year, we strengthened country risk monitoring and made sufficient provisions for country risk impairment by taking into account the impact of country risks on asset quality in light of changes in the external situation.

Risk Consolidated

We continued to promote the risk consolidation management of the Group, and promoted the integration of risk management of the parent company and subsidiaries. According to the risk situation and risk management objectives, we instructed the subsidiaries to revise their risk appetite statements and risk management policies, optimized the target value of risk assessment, and urged the subsidiaries to focus on business development and risk management for the year. We tracked the daily risk and risk management of the subsidiaries, and carried out constant risk monitoring and assessment of the subsidiaries.

Internal Control

During the reporting period, we improved the construction of our system for internal control and compliance, implemented the plan for prevention of cases of violations and continuously improved our management capabilities of internal control and prevention and control of risks, which ensured our operations are in compliance with laws and regulations.

We improved the internal control and compliance system. We organized and carried out the activities of “Year of Establishment of System and Compliance” and “Year of Establishment of Internal Control and Compliance”, and promoted the formation of a system with comprehensive coverage, consistent connection, effective control and user-friendly. We revised the basic system of compliance management, established the comprehensive “Dual Reporting” system and coordinated the promotion of operational risk management, internal control and compliance management.

We promoted the establishment of a long-term mechanism for prevention of cases of violations. We issued a list of responsibilities for prevention and control of major risks of major business departments and subsidiaries with integrated operations and clarified the responsibility for prevention and control to deal with major risks. We strengthened the classification and governance of case risks in key areas and conducted case risk investigation by means of off-site monitoring, to promptly reveal case risks. We continuously carried out warning and education activities through cases of violations, and promoted the construction of compliance culture.

We intensified integrated management of the Group. We promoted and launched the internal control compliance management system in 11 overseas institutions and continued to strengthen the compliance management of overseas institutions through online and offline integration. We established compliance management team of subsidiaries to strengthen the daily monitoring, inspection and supervision of compliance management of subsidiaries and continuously improve the internal control and compliance management of the Group.

We strengthened supervision and accountability. We formulated the evaluation and identification system for credit risk events to optimize the accountability mechanism. We strengthened the supervision and management of accountability, detailed the working principles and standardized the operating procedures, to constantly enhance our capability of self-examination, self-correction, self-improvement and self-perfection.

Anti-money Laundering and Sanctions Risk

In the first half of the year, we implemented regulatory requirements, gave full play to the role of the anti-money laundering compliance management committee for promotion and strengthened the performance of three lines of defense, to fully promote the construction of anti-money laundering and sanctions risk system of the Bank.

We implemented new regulations on money laundering risk assessment, reconstructed the operation mechanism of anti-money laundering compliance test, and improved the self-identification and rectification mechanism of anti-money laundering issues. We strengthened the overall management of the Group's anti-money laundering work, increased the frequency of communication and inspection and established a regular reporting and communication mechanism covering the Bank's anti-money laundering and sanctions risks. We further improved the rating of customer money laundering and sanctions risks, strengthened the identification and monitoring of money laundering risks in key areas and properly implemented the reporting of due diligence information on tax-related information of non-resident accounts and tax-related bills. We vigorously promoted anti-money laundering data governance, tracked and interpreted sanctions information in real time, orderly promoted the research and development and operation of the intelligent control platform for sanctions risks, strengthened the analysis of suspicious transaction types and enhanced the management and control of virtual currency money laundering risks. We continued to strengthen training for anti-money laundering and sanctions risks.

Anti-corruption and Anti-bribery

With the aim of preventing and controlling the risk of cases of violations, and adhering to the principles of people-oriented, compliance-prioritized, technology-led, and both symptoms and root causes addressed, we successively drafted and revised the administrative measures for prevention of cases of violations, administrative measures for criminal cases and other rules and measures, established and improved the "Dual-line Management" responsibility system, "Dual-base" management, "Three Lines and One Grid" and management system for technology-led prevention of cases of violations, to effectively strengthen the construction of prevention and control capability for cases of violations.

We attached great importance to preventing duty-related crimes such as corruption and bribery, continued to carry out in-depth investigation on case risks, and promptly revealed relevant hidden risks of violation of laws and regulations. We gave full play to our "Three Lines and One Grid" specialty management mode, to continuously strengthen the daily management of employees' behaviors and supervision and management of key positions. We improved the mechanism for suspected violation reporting and examination of early warning information, and encouraged 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 fortify the ideology and moral defense of our employees against corruption and bribery and improve all employees' awareness of compliance operation in accordance with the law.

Discussion and Analysis

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, maintained prudent capital adequacy, and continued to enhance the ability to serve the real economy. We continued to improve the establishment of the internal capital adequacy assessment process (ICAAP), upgraded ICAAP working mechanism continuously, and completed the internal capital adequacy assessment for 2021 in order to consolidate the foundation of capital and risk management.

Following the requirements of the *Interim Measures for the Implementation of the Recovery and Disposal Plan of Banking and Insurance Institutions* issued by CBIRC and of the Financial Stability Board (FSB), 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.

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 the requirements of CBIRC.

Management of Capital Financing

During the reporting period, we improved the capital replenishment system. On the basis of capital replenishment with retained profits, we proactively developed external resources for capital replenishment. The capital strength was continuously enhanced, and capital structure was further optimized while capital cost was reasonably controlled.

We planned to issue write-down undated capital bonds of not more than RMB120.0 billion, and the proceeds will be used to replenish our additional Tier 1 capital. The above issuance plan has been considered and approved at meeting of the Board of Directors held on 17 June 2021 and the extraordinary general meeting of the Bank held on 9 July 2021, which is subject to approvals from relevant regulatory authorities.

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 by focusing on strategic objectives and increase economic capital allocation in key areas to continuously improve the refined management of economic capital. We optimized the economic capital measurement model and system, expanded the scope of application of economic capital to promote the coordinated development of business volume, structure, quality and efficiency.

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 and Shareholdings of Substantial Shareholders

Changes in Share Capital of Ordinary Shares

Details of Changes in Share Capital						Unit: Share	
	31 December 2020		Increase/decrease during the reporting period (+, -)			30 June 2021	
	Number of Shares	Percentage ³ (%)	New Shares Issued	Others	Sub-Total	Number of Shares	Percentage ³ (%)
I. Shares held subject to restrictions on sales¹	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 as at 30 June 2021.

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	

Changes in Share Capital and Shareholdings of Substantial Shareholders

Note: According to the Private Placement Subscription Agreements, the A shares subscribed for thereunder by 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 under the private placement shall not be transferred within 36 months from the date of completion of the private placement. As of 27 August 2021, the commitments made by these subscribed shareholders have been duly fulfilled and the underlying shares held subject to restrictions on sales have become tradable in the market. For details, 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).

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

Notes: 1. Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited as of 30 June 2021.

2. According to the Private Placement Subscription Agreements, the A shares subscribed for thereunder by 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 under the private placement shall not be transferred within 36 months from the date of completion of the private placement. As of 27 August 2021, the commitments made by these subscribed shareholders have been duly fulfilled and the underlying shares held subject to restrictions on sales have become tradable in the market. For details, 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).

Changes in Share Capital and Shareholdings of Substantial Shareholders

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 2021, the Bank had a total of 446,112 shareholders, including 21,741 holders of H Shares and 424,371 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)

Total number of shareholders	446,112 (as set out in the registers of shareholders of A Shares and H Shares as at 30 June 2021)
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Changes in Share Capital and Shareholdings of Substantial Shareholders

Particulars of shareholdings of the top 10 shareholders

(the information below is based on the registers of shareholders as at 30 June 2021)

Unit: Share

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, marked 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	-4,946,999	8.73	30,552,802,003	-	Unknown
SSF	State-owned	A Shares	-	6.72	23,520,968,297	-	None
China Life Insurance Company Limited	Others	A Shares	-30,828,700	0.77	2,691,045,800	-	None
— Traditional							
— General insurance products							
— 005L — CT001 Hu							
China National Tobacco Corporation	State-owned legal entity	A Shares	-	0.72	2,518,891,687	2,518,891,687	None
China Life Insurance Company Limited	Others	A Shares	-510,001,961	0.58	2,043,589,923	-	None
— Dividend Distribution							
— Individual Dividend							
— 005L — FH002 Hu							
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	-9	0.53	1,842,751,177	-	None
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	+236,928,557	0.47	1,650,620,170	-	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:
- 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 2021.
 - 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 SAR and overseas.
 - 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.
 - 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 4,734,635,723 in aggregate, accounting for 1.35% 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.
 - Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF 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, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.

Changes in Share Capital and Shareholdings of Substantial Shareholders

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 2021)

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	30,552,802,003	H Shares
SSF	23,520,968,297	A Shares
China Life Insurance Company Limited	2,691,045,800	A Shares
— Traditional — General insurance products		
— 005L — CT001 Hu		
China Life Insurance Company Limited	2,043,589,923	A Shares
— Dividend Distribution — Individual Dividend		
— 005L — FH002 Hu		
China Securities Finance Corporation Limited	1,842,751,177	A Shares
Hong Kong Securities Clearing Company Limited	1,650,620,170	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares
China Shuangwei Investment Co., Ltd.	746,268,000	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 2021.
 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 SAR 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. China Shuangwei Investment Co., Ltd. is a wholly-owned subsidiary of China National Tobacco Corporation. 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.
 4. Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF 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, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.

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.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at 30 June 2021, 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:

Interests and Short Positions Held by Substantial Shareholders and Other Persons¹

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 ²	133,312,244,066 (A Shares) ³	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
China Life Insurance (Group) Company	Beneficial owner	267,883,000 (H Shares)	Long position	0.87	0.08
	Interest of controlled entity	2,482,018,000 (H Shares) ⁴	Long position	8.07	0.71
China Life Insurance Company Limited	Beneficial owner	2,344,217,000 (H Shares) ⁴	Long position	7.63	0.67
	Interest of controlled entity	66,531,000 (H Shares) ⁴	Long position	0.22	0.02
BlackRock, Inc.	Interest of controlled entity	1,791,823,088 (H Shares) ⁵	Long position	5.83	0.51
		3,179,000 (H Shares)	Short position	0.01	0.00
China Taiping Insurance Holdings Company Limited	Interest of controlled entity	1,545,179,000 (H Shares) ⁶	Long position	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
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:
- As at 30 June 2021, the Bank received notifications from the above 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.
 - 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.
 - According to the register of members of the Bank at 30 June 2021, 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.
 - China Life Insurance Company Limited, China Life Insurance (Overseas) Company Limited and China Life Property Insurance Company Limited held 2,344,217,000, 71,270,000 and 66,531,000 H Shares of the Bank, respectively. As they are controlled entities of China Life Insurance (Group) Company, China Life Insurance (Group) Company is deemed to be interested in the 2,482,018,000 H Shares in aggregate directly held by them. Furthermore, as China Life Property Insurance Company Limited is an entity controlled by China Life Insurance Company Limited, China Life Insurance Company Limited is deemed to be interested in the 66,531,000 H Shares held by China Life Property Insurance Company Limited.
 - BlackRock, Inc. is deemed to be interested in 1,791,823,088 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.
 - 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.
 - 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 2021, the Bank had a total of 32 holders¹ 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 2021)

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	+8,520,000	75,520,000	18.88	None
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	-	49,000,000	12.25	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
CITIC-Prudential Life Insurance Co., Ltd.	Others	Domestic preference shares	+29,760,000	29,760,000	7.44	None
Beijing Tiandi Fangzhong Asset Management Co., Ltd.	Others	Domestic preference shares	-16,790,000	18,210,000	4.55	None
Everbright Securities Asset Management Co., Ltd.	Others	Domestic preference shares	+10,550,840	16,000,000	4.00	None
Xinyuan Capital Management Co., Ltd.	Others	Domestic preference shares	+14,800,000	14,800,000	3.70	None
China Merchants Securities Asset Management Co., Ltd.	Others	Domestic preference shares	-	13,600,000	3.40	None
Beiyin Fengye Asset Management Co., Ltd.	Others	Domestic preference shares	-	12,000,000	3.00	None

- Notes:
1. China Merchants Fund Management Co., Ltd. and China Merchants Securities Asset Management Co., Ltd. are acting in concert. Save for the 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 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 2021), “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1” held by the holders of preference shares to the total number of “農行優1” (i.e. 400 million shares).

¹ The number of the holders of preference shares was calculated by the number of qualified investors that hold the 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.

As at 30 June 2021, the Bank had a total of 35 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 information below is based on the registers of shareholders as at 30 June 2021)

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
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	+8,080,000	28,080,000	7.02	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	-	20,000,000	5.00	None
China Mobile Communications Group Co., Ltd.	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
China Zheshang Bank Co., Ltd.	Others	Domestic preference shares	-6,000,000	19,000,000	4.75	None
Shanghai Tobacco Group Co., Ltd.	Others	Domestic preference shares	-	15,700,000	3.93	None
CITIC Securities Company Limited.	Others	Domestic preference shares	+8,670,000	15,500,000	3.88	None

- Notes:
1. China Shuangwei Investment Co., Ltd., 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. 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 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 No. 3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Interim Report (Revision 2021), “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).

Details of Preference 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 2021, we paid cash dividends of RMB4.84 (tax inclusive) per preference share or RMB1,936 million (tax inclusive) in aggregate (calculated at a coupon rate of 4.84%) 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 2021.

On 30 August 2021, the Board of Directors of the Bank considered and approved the Dividend Payment Scheme of 2020–2021 for the First Tranche of the Preference Shares. On 5 November 2021, we will pay cash dividends of RMB5.32 (tax inclusive) per preference share or RMB2,128 million (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 2021.

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

Directors, Supervisors and Senior Management of the Bank

As at the publication date of the interim results announcement of the Bank, 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 14 Directors, including four Executive Directors, namely Mr. GU Shu, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang and Mr. LIN Li; five Non-executive Directors, namely Mr. ZHU Hailin, Mr. LIAO Luming, Mr. LI Qiyun, Mr. LI Wei and Ms. ZHOU Ji; and five Independent Non-executive Directors, namely Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret and Mr. LIU Shouying.

The Board of Supervisors of the Bank consisted of eight Supervisors, including two Supervisor Representing Shareholders, namely Mr. WANG Jingdong and Mr. FAN Jianqiang, three Supervisors Representing Employees, namely Mr. SHAO Lihong, Mr. WU Gang and Mr. HUANG Tao, and three External Supervisors, namely Mr. LI Wang, Mr. ZHANG Jie and Ms. LIU Hongxia.

The senior management of the Bank consisted of seven members, namely Mr. ZHANG Qingsong, Mr. ZHANG Xuguang, Mr. LIN Li, Mr. CUI Yong, Mr. XU Han, Mr. LI Zhicheng and Mr. HAN Guoqiang.

As at the end of the reporting period, 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

As at the publication date of the interim results announcement of the Bank, the departure of the Directors, the Supervisors and senior management of the Bank was as follows:

On 7 January 2021, Mr. ZHOU Mubing resigned as the Chairman and Executive Director of the Bank due to his age.

On 11 June 2021, Mr. ZHAN Dongsheng resigned as the Executive Vice President of the Bank due to the adjustment in work arrangements.

On 27 July 2021, Mr. WU Jiangtao resigned as the Non-Executive Director of the Bank due to the work arrangements.

On 20 August 2021, Mr. XIA Taili resigned as a Supervisor Representing Employees of the Bank due to the expiry of his term.

Environment and Social Responsibility

We accelerated the development of green finance business by serving the goal of “peak carbon dioxide emissions and carbon neutrality”. We incorporated green financial management requirements into the Bank’s credit policy system, formulated the Guiding Opinions on Accelerating the Development of Green Finance Business, and continued to increase the support for green industries and climate financing areas such as energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrading of infrastructure and green services. We innovated green financial products and services, launched credit products such as “contract energy management income right pledge loan”, “ecological restoration loan” and “renewable energy subsidy authentic right loan”, underwrote the first batch of carbon neutrality bonds and the first batch of sustainability-linked bonds in the market, and strongly supported green and low-carbon development. We won the “Best Green Finance Bank of the Year” award at the “China Green Finance Awards” for 2021 organized by *Asiamoney* magazine. We incorporated the “carbon neutrality” of our own operation into the “14th Five-Year Plan”, carried out carbon audit covering the whole Group, actively implemented energy-saving management measures, promoted green travel and green procurement, and actively promoted the scientific low-carbon transformation of the Bank. For details of green finance, please refer to “Discussion and Analysis — Business Review — Sustainable Finance”.

We actively assisted in consolidating and expanding the effective connection between the achievements of poverty alleviation and rural vitalization, and continued to increase our services and support in key areas such as national food safety, modern agricultural development, rural infrastructure construction, new urbanization construction and farmers’ production and life, so as to continuously provide financial resources for agricultural and rural development. As at the end of June 2021, the balance of our County Area loans was RMB5.91 trillion. We combined traditional networks with new electronic channels and Internet finance, and strove to create a comprehensive and three-dimensional service channel to smooth the “Last-kilometer” of inclusive financial services in rural areas. We vigorously promoted the digital transformation of rural financial services, researched and developed the comprehensive smart rural service platform, increased the promotion of “Huinong E-Loan”, implemented the “Rural Mobile Banking” project, and innovatively launched digital scenarios such as smart agriculture, smart rural tourism, smart parks and smart markets, and further effectively improving the agricultural modernization and rural governance informatization. As at the end of June 2021, the “Huinong E-Loan” business has covered all County Areas in China with a loan balance of RMB508.2 billion, and benefiting approximately 3.45 million rural households. For details of financial services for rural vitalization and poverty alleviation, please refer to “Discussion and Analysis — County Area Banking Business”.

We carried out in-depth financial service improving projects, and successively formulated the guidelines for special group and services for elderly customers of networks and the financial service work plan for effectively resolving the difficulties of elderly customers in utilizing intelligent technology. We continuously optimized the service process, innovatively launched the “air counter” remote and convenient services, and carried out the transformation of various channels and systems for elderly customers to provide them with a more warm and convenient service experience. The Bank-wide network has delivered door-to-door services for special groups with mobility inconvenience such as elderly customers for more than 0.12 million times in accumulation.

We organized and carried out public welfare activities such as “Points for Dream” and “ABC Youth Action for Beautiful China”, which organized young people to actively participate in the volunteer service of “Making the Party’s Banner More Splendid”, and engaged in public welfare activities such as poverty alleviation, helping the weak and the disabled, epidemic prevention, environmental protection, donation for education and social services. As at the end of June 2021, the Bank held more than 2,000 voluntary public welfare activities in total with 30,000 participants.

During the reporting period, the Bank did not receive any administrative punishment due to environmental problems.

Significant Events

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*, the *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, 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

Items	Details
One Extraordinary General Meeting	On 28 January 2021, we held the 2021 first extraordinary general meeting in Beijing, at which two proposals were considered and approved, including the election of executive director and the additional budget for poverty alleviation donations.
One Annual General Meeting	On 27 May 2021, we held the 2020 Annual General Meeting in Beijing, at which seven proposals were considered and approved, including the final financial accounts for 2020 and the profit distribution plan for 2020, etc., and three debriefing sessions in respect of the 2020 work report of independent non-executive 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 mainland China and Hong Kong SAR. 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 January 2021 and 27 May 2021, 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 January 2021 and 28 May 2021, respectively.

Meetings of the Board of Directors

Items	Details
Number of regular meetings held	2
Number of extraordinary meetings held	5
Total number of meetings held	7
Particulars of considering proposals or listening to reports	The Board of Directors considered regular proposals such as periodic reports, profit distribution, nominating candidates of Directors and appointment of the senior management members, and key proposals such as the "14th Five-Year Plan" and the issuance plan of write-down undated capital bonds of the Bank, and debriefed key reports including the implementation of the "13th Five-Year Plan" and evaluation report on strategic risk management, consumer interests protection, cyber information security and annual evaluation report on Internet loan business.

Significant Events

Meetings of the Board of Supervisors

Items	Details
Number of regular meetings held	2
Number of extraordinary meetings held	2
Total number of meetings held	4
Particulars of considering proposals or listening to reports	Reviewed 12 proposals including the annual report for 2020 of the Bank and its abstract; debriefed 22 reports including the report on the due diligence interviews by the Board of Supervisors for 2020.

Internal Audit

In the first half of the year, we adopted a risk-oriented approach to conduct risk and management audits on the key aspects, including serving “Sannong”, serving the real economy, credit business, financial management, intermediary business, and internal control and case prevention. We carried out special audits in areas such as real estate loans, reduction and exemption of non-performing loans, write-off of bad debts, performance evaluation and remuneration management, operational risk management, business outsourcing. We steadily proceeded with the audit of overseas institutions, and implemented audit on economic responsibilities of senior management members. We supervised the rectification of problems found in the audit. We continued to deepen the digital transformation of audit and increased the intensity of off-site audit monitoring. We attached great importance to and made use of various audit findings and recommendations to continuously improve risk management, internal control and corporate governance, and promoted the implementation of strategic decisions, improvement of basic management and steady development of various businesses of the Bank.

Profit and Dividends Distribution

As approved by the 2020 Annual General Meeting, we paid cash dividends of RMB1.851 (tax inclusive) per 10 ordinary shares or RMB64,782 million (tax inclusive) in aggregate to holders of A Shares and holders of H Shares whose names appeared on the registers of members at the close of business on 16 June 2021.

Material Litigation and Arbitration Matters

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

At 30 June 2021, 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 RMB4.929 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 2021, we applied standardized management of related party transactions, in strict compliance with the regulations issued by the CSRC, the CBIRC, as well as the listing rules of Shanghai and Hong Kong SAR. During the reporting period, our related party transactions were conducted on normal commercial terms and in accordance with laws and regulations; our pricing for interest rates followed fair commercial principles, and no actions that would damage the interests of the Bank and its minority shareholders were identified.

In the first half of 2021, we conducted a series of related party transactions with the connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions fell under 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 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.

Significant Events

External guarantee

During the reporting period, the Bank did not enter into any guarantee contracts in violation of laws, administrative regulations or the external guarantee resolution procedures stipulated by the CSRC.

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., which shall be paid up annually in four years from 2018. In November 2018, June 2019, April 2020 and May 2021, we completed all four contributions with RMB0.75 billion each, respectively.

In July 2020, we entered into the *Promoters' Agreement on the National Green Development Fund Co., Ltd.*, pursuant to which, we shall participate in investing in National Green Development Fund Co., Ltd. In April 2021, we received the Approval of the CBIRC on Agricultural Bank's Participation in the Establishment of National Green Development Fund Co., Ltd. (Yin Bao Jian Fu [2021] No. 321), and were approved investing in National Green Development Fund Co., Ltd. We shall invest RMB8 billion in the National Green Development Fund, which will be paid in five instalments. In May 2021, we paid for the first instalment in the amount of RMB0.8 billion.

In December 2020, the Board of Directors of the Bank considered and approved to increase the share capital of ABC Financial Asset Investment Co., Ltd. (a subsidiary of the Bank) by RMB10 billion. Upon CBIRC's approval in January 2021, the Bank has completed this capital increase.

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

During the reporting period, save 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 fulfilled.

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

During the reporting period, we were not under investigation in accordance with the law for suspected crimes, and the controlling shareholders, Directors, Supervisors and senior management of the Bank were not subject to compulsory measures in accordance with the law for suspected crimes; the Bank or its controlling shareholders, Directors, Supervisors and senior management have not been subject to any criminal punishment, nor have they been subject to any investigation by the CSRC or administrative punishment by the CSRC for suspected violation of laws or regulations, and have not been subject to any material administrative punishment by other competent authorities; none of the controlling shareholders, Directors, Supervisors and senior management of the Bank has been subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of discipline or law, or duty-related crimes, which may affect their performance of duties; the Directors, Supervisors and senior management of the Bank have not been subject to compulsory measures by other authorities due to suspected violation of laws and regulations, which may affect their performance of duties. Neither the Bank nor its controlling shareholders, Directors, Supervisors and senior management were subject to administrative regulatory measures by the CSRC or disciplinary actions by any stock exchanges.

Occupation of the Bank's Fund by the Controlling Shareholders and Other Related Parties for Non-operating Purpose

During the reporting period, there was no occupation of the Bank's fund by the controlling shareholders and other related parties for non-operating purpose.

Integrity of the Bank and its 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 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 or employee share ownership scheme.

Significant Events

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 2021, 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 2021, 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 2021 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs was reviewed by KPMG Huazhen LLP and KPMG 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

In accordance with the *Management Measures for Selection and Engagement of Accounting Firms in State-Owned Financial Institutions* (Cai Jin [2020] No. 6) issued by the MOF, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers had provided auditing services to the Bank for eight consecutive years (from 2013 to 2020) and reached the maximum service period of eight years, the Bank has to change its external auditors. At the general meeting of the Bank held on 27 May 2021, the shareholders considered and approved the Proposal on the Appointment of Accounting Firms for 2021, and agreed to engage KPMG Huazhen LLP and KPMG as the accounting firms of the Bank for 2021. KPMG Huazhen LLP shall be responsible for the audit of the financial statements prepared in accordance with PRC GAAP and the internal control audit. KPMG shall be responsible for the audit of the financial statements prepared in accordance with International Financial Reporting Standards.

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 2021, 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 16.23%, 12.65% and 10.85%, respectively, and were in compliance with the regulatory requirements. The Bank's capital adequacy ratio, tier 1 capital adequacy ratio and CET 1 capital adequacy ratio decreased by 0.36 percentage point, 0.27 percentage point and 0.19 percentage point respectively as compared to 31 December 2020.

II. Scope for Calculating Capital Adequacy Ratio

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

III. Capital Adequacy Ratio and Risk-weighted Assets

As of the end of June 2021, 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, the Internal Model Approach (IMA) for market risk-weighted assets, standardized Approach (SA) for market risk-weighted assets uncovered by IMA, and the standardized measurement approach to measure operational risk-weighted assets.

In millions of RMB, except for percentages

Item	30 June 2021		31 December 2020	
	The Group	The Bank	The Group	The Bank
CET 1 capital, net	1,925,457	1,858,623	1,875,372	1,814,475
Additional Tier 1 capital, net	319,884	319,875	319,884	319,875
Tier 1 capital, net	2,245,341	2,178,498	2,195,256	2,134,350
Tier 2 capital, net	635,897	629,357	622,668	622,533
Net capital	2,881,238	2,807,855	2,817,924	2,756,883
Risk-weighted assets	17,747,527	17,207,763	16,989,668	16,434,275
Credit risk-weighted assets	16,506,387	15,988,604	15,754,228	15,220,155
Portion covered by IRB	10,860,799	10,860,799	10,540,513	10,540,513
Portion uncovered by IRB	5,645,588	5,127,805	5,213,715	4,679,642
Market risk-weighted assets	158,976	153,039	153,276	148,000
Portion covered by IMA	150,450	150,450	139,143	139,143
Portion uncovered by IMA	8,526	2,589	14,133	8,857
Operational risk-weighted assets	1,082,164	1,066,120	1,082,164	1,066,120
Additional risk-weighted assets due to the requirement of the capital floor	—	—	—	—
CET 1 capital adequacy ratio	10.85%	10.80%	11.04%	11.04%
Tier 1 capital adequacy ratio	12.65%	12.66%	12.92%	12.99%
Capital adequacy ratio	16.23%	16.32%	16.59%	16.78%

IV. Risk Exposure

(I) Credit Risk

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

In millions of RMB

Item	30 June 2021		31 December 2020	
	Risk Exposure	Risk-weighted assets	Risk Exposure	Risk-weighted assets
Credit risk covered by IRB approach ¹	18,333,464	9,906,100	16,891,369	9,094,941
Non-retail credit risk	12,151,069	8,272,249	11,065,065	7,565,463
Retail credit risk	6,097,207	1,596,864	5,715,123	1,482,971
Counterparty credit risk	85,188	36,987	111,181	46,507

Note: 1. Regulatory calibration is not included.

In millions of RMB

Item	30 June 2021		31 December 2020	
	Risk Exposure	Risk-weighted assets	Risk Exposure	Risk-weighted assets
Credit risk uncovered by IRB approach	13,404,971	5,645,588	12,720,943	5,213,715
On-balance sheet credit risk	12,313,213	4,843,577	11,175,962	4,111,433
of which: asset securitization	35,499	115,439	33,084	76,238
Off-balance sheet credit risk	1,054,402	757,556	1,514,243	1,062,321
Counterparty credit risk	37,356	44,455	30,738	39,961

As of the end of June 2021, the balance of non-performing loans of the Bank amounted to RMB247.3 billion, representing an increase of RMB10.2 billion as compared to the beginning of the year, and the non-performing loan ratio was 1.50%, representing a decrease of 0.07 percentage point as compared to the beginning of the year; overdue loans amounted to RMB182.3 billion, representing a decrease of RMB13.2 billion as compared to the beginning of the year, and the overdue ratio was 1.10%, representing a decrease of 0.19 percentage point as compared to the beginning of the year. The balance of allowance for impairment losses on loans was RMB679.0 billion, representing an increase of RMB61.0 billion as compared with the beginning of the year. The allowance to non-performing loans was 274.53%, representing an increase of 13.89 percentage points as compared with the beginning of the year. The allowance to loan ratio was 4.12%, representing an increase of 0.04 percentage point as compared with the beginning of the year.

Appendix I Capital Adequacy Ratio Information

(II) Market Risk

The Bank calculated the capital requirement of market risk by using the Internal Model Approach (IMA), of which uncovered portion was measured by standardized approach. As of 30 June 2021, 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 2021	31 December 2020
Portion covered by IMA	12,036	11,131
Portion covered by standardized approach	682	1,131
Interest rate risk	207	709
Equity risk	–	–
Foreign exchange risk	475	422
Commodity risk	–	–
Option risk	–	–
Total	12,718	12,262

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 2021, the Bank's VaR and stressed VaR under IMA of market risk are shown in the following table.

In millions of RMB

Item	30 June 2021			
	Average	Highest	Lowest	Period end
Value at risk (VaR)	1,699	2,019	1,421	1,887
Stressed value at risk (Stressed VaR)	2,046	2,458	1,761	2,055

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

In millions of RMB

Types of the invested entity	Risk exposures of publicly traded equity ¹		Risk exposures of non-publicly traded equity ¹		Unrealized profit or loss on potential risk ²	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	Financial institutions	3,234	3,158	3,153	3,151	2,112
Companies	2,805	3,112	102,760	102,783	(1,155)	(294)
Total	6,039	6,270	105,913	105,934	957	1,683

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

Appendix I Capital Adequacy Ratio Information

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

(III) Operational Risk

As of 30 June 2021, the Bank adopted standardized approach to measure the regulatory capital for operational risk. The regulatory capital requirement of operational risk for the Group was RMB86,573 million, and for the Bank was RMB85,290 million.

Please refer to “Discussion and Analysis — Risk Management and Internal Control” for details of operational risk of the bank.

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

Item	30 June 2021		31 December 2020		Code
	Financial Statement ¹	Regulatory Consolidation	Financial Statement ¹	Regulatory Consolidation	
Assets					
Cash and balances with central banks	2,363,943	2,363,930	2,437,275	2,437,261	A01
Deposits with banks and other financial institutions	405,634	391,900	434,185	420,060	A02
Placements with and loans to banks and other financial institutions	449,997	449,997	546,948	546,948	A03
Financial assets at fair value through profit or loss	471,006	431,872	583,069	550,660	A04
Derivative financial assets	52,208	52,208	61,937	61,937	A05
Financial assets held under resale agreements	878,226	878,226	816,206	816,206	A06
Loans and advances to customers	15,860,306	15,858,761	14,552,433	14,551,120	A07
Debt instrument investments at amortized cost	6,008,417	5,984,238	5,684,220	5,662,210	A08
Other debt instrument and other equity investments at fair value through other comprehensive income	1,487,612	1,455,788	1,555,370	1,523,100	A09
Long term equity investment	9,120	12,971	8,865	12,717	A10
Fixed assets	141,238	140,739	143,839	143,326	A11
Construction in progress	8,131	7,963	7,315	7,194	A12
Land use right	18,961	18,961	19,340	19,339	A13
Deferred income tax assets	134,608	134,608	133,355	133,355	A14
Goodwill	1,381	–	1,381	–	A15
Intangible assets	4,614	4,362	4,154	3,889	A16
Other assets	356,961	361,332	215,155	219,980	A17
Total assets	28,652,363	28,547,856	27,205,047	27,109,302	A00

Appendix I Capital Adequacy Ratio Information

Item	30 June 2021		31 December 2020		Code
	Financial Statement ¹	Regulatory Consolidation	Financial Statement ¹	Regulatory Consolidation	
Liabilities					
Borrowings from central banks	701,164	701,164	737,161	737,161	L01
Deposits from banks and other financial institutions	1,412,381	1,424,712	1,394,516	1,406,664	L02
Placements from banks and other financial institutions	349,884	349,884	390,660	390,660	L03
Financial liabilities at fair value through profit or loss	18,226	18,226	27,817	27,817	L04
Financial assets sold under repurchase agreements	27,127	23,485	109,195	101,357	L05
Due to customers	21,926,574	21,926,580	20,372,901	20,372,977	L06
Derivative financial liabilities	38,142	38,142	65,282	65,282	L07
Debt securities issued	1,442,284	1,437,146	1,371,845	1,366,594	L08
Employee salary payables	45,472	45,015	56,811	56,340	L09
Taxes payables	39,244	39,226	64,575	64,570	L10
Dividends payables	1,405	1,405	—	—	L11
Deferred tax liabilities	349	159	334	143	L12
Provisions	45,161	45,161	42,100	42,100	L13
Other liabilities	342,583	240,503	361,104	271,282	L14
Total liabilities	26,389,996	26,290,808	24,994,301	24,902,947	L00
Owner's equity					
Ordinary shares	349,983	349,983	349,983	349,983	E01
Other equity instruments	319,875	319,875	319,875	319,875	E02
of which: Preference shares	79,899	79,899	79,899	79,899	E03
Perpetual bonds	239,976	239,976	239,976	239,976	E04
Capital reserve	173,556	173,556	173,556	173,556	E05
Surplus reserve	196,354	196,353	196,071	196,068	E06
General reserve	351,604	351,604	311,449	311,449	E07
Undistributed profits	840,404	839,776	828,240	828,044	E08
Minority interests	6,522	2,274	5,957	2,152	E09
Other comprehensive income	24,069	23,627	25,615	25,228	E10
of which: Foreign currency translation reserve	(1,024)	(1,024)	(372)	(372)	E11
Total equity	2,262,367	2,257,048	2,210,746	2,206,355	E00

Note: 1. For more information, please refer to the balance sheet in the Bank's 2021 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 2021	31 December 2020	Code
CET 1 capital			
1 Paid-in capital	349,983	349,983	E01
2 Retained earnings	1,387,733	1,335,561	
2a Surplus reserve	196,353	196,068	E06
2b General reserve	351,604	311,449	E07
2c Undistributed profits	839,776	828,044	E08
3 Accumulated other comprehensive income and disclosed reserve	197,183	198,784	
3a Capital reserve	173,556	173,556	E05
3b Others	23,627	25,228	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	67	64	
6 CET 1 capital before regulatory adjustments	1,934,966	1,884,392	
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)	4,362	3,889	A16
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6	5	
11 Cash-flow hedge reserve to the items not calculated at fair value	(9)	(28)	
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	-	-	

Appendix I Capital Adequacy Ratio Information

Item	30 June 2021	31 December 2020	Code
19			
Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	-	-	
20			
Mortgage servicing rights	-	-	
21			
Other deductible amount in the net deferred tax asset that rely on future profitability of the Bank	-	-	
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	5,150	5,154	
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	9,509	9,020	
29			
CET 1 capital	1,925,457	1,875,372	
Additional Tier 1 capital			
30			
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	319,875	319,875	E02
31			
of which: classified as equity	319,875	319,875	
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	9	
35			
of which: instruments issued by subsidiaries subject to phase out	-	-	
36			
Additional Tier 1 capital before regulatory adjustments	319,884	319,884	

Appendix I Capital Adequacy Ratio Information

Item	30 June 2021	31 December 2020	Code
Additional Tier 1 capital: regulatory adjustments			
37	–	–	
38	–	–	
39	–	–	
40	–	–	
41a	–	–	
41b	–	–	
41c	–	–	
42	–	–	
43	–	–	
44	319,884	319,884	
45	2,245,341	2,195,256	
Tier 2 capital			
46	254,927	269,918	
47	15,000	30,000	
48	18	17	
49	–	–	
50	380,952	352,733	
51	635,897	622,668	

Appendix I Capital Adequacy Ratio Information

Item	30 June 2021	31 December 2020	Code
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	–	–
53	Reciprocal cross-holdings in Tier 2 instruments	–	–
54	Tier 2 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	–	–
55	Tier 2 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	–	–
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	635,897	622,668
59	Total capital (Tier 1 capital + Tier 2 capital)	2,881,238	2,817,924
60	Total risk weighed assets	17,747,527	16,989,668
Capital adequacy ratios and reserve capital requirements			
61	CET 1 capital adequacy ratio	10.85%	11.04%
62	Tier 1 capital adequacy ratio	12.65%	12.92%
63	Capital adequacy ratio	16.23%	16.59%
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)	5.85%	6.04%
National minimum			
69	CET 1 minimum ratio	5%	5%
70	Tier 1 minimum ratio	6%	6%
71	Total capital minimum ratio	8%	8%
Amounts not deducted from the thresholds for deduction			
72	Non-significant investments in the capital of other unconsolidated financial institutions	130,719	136,317
73	Significant investments in the common stock of unconsolidated financial institutions	607	617
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)	134,443	133,207

Appendix I Capital Adequacy Ratio Information

Item	30 June 2021	31 December 2020	Code
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital			
76	Excess loan loss provisions actually provided under the Weighting Approach	84,424	57,890
77	Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Weighting Approach	69,699	57,890
78	Excess loan loss provisions actually provided under the Internal Ratings-Based Approach	366,147	312,798
79	Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Internal Ratings-Based Approach	311,253	294,843
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	15,000	30,000
85	Amount excluded from Tier 2 capital due to phase-out arrangements	35,000	70,000

VII. Main Features of Eligible Capital Instruments

As of 30 June 2021, the eligible capital instruments of the Bank included ordinary shares, 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 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 and August 2020, the Bank completed the two tranches of perpetual bonds in the amount of RMB120 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 2021, the amount that could be included in Tier 2 capital was RMB15 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 issued Tier 2 capital bonds amounting to RMB120 billion in the PRC inter-bank bond market in two tranches in March 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 interbank bond market in May 2020, and the raised funds after deducting issue expenses were all included into Tier 2 capital.

Appendix I Capital Adequacy Ratio Information

The following tables set up the main features of eligible capital instruments of the Bank as of 30 June 2021.

		Main Features of Eligible Tier 1 Capital Instruments (Ordinary Share and Preference Shares)			
		Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Preference shares
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288	360001	360009
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", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc.
Regulatory treatments					
4	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
5	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> post-transitional rules	CET 1 capital	CET 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
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Preference shares
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	319,244	30,739	39,944	39,955
9	Par value	RMB1	RMB1	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Equity
11	Original date of issuance	2010/07/15 and 2018/06/26	2010/07/16	2014/10/31	2015/03/06
12	Dated or perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior regulatory approval	No	No	Subject to call	Subject to call
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	-	-	The first call date is 5 November, 2019, fully or partially	The first call date is 11 March, 2020, fully or partially
16	of which: Subsequent call dates, if applicable	-	-	5 November of each year after the first call date	11 March of each year after the first call date
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 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.
18	of which: Coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	The coupon rate is 5.32% within 5 years from 5 November, 2019.	The coupon rate is 4.84% within 5 years from 11 March, 2020.
19	of which: Existence of a dividend stopper	No	No	Yes	Yes
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative

Appendix I Capital Adequacy Ratio Information

		Main Features of Eligible Tier 1 Capital Instruments (Ordinary Share and Preference Shares)			
		Ordinary share of A Shares	Ordinary share of H Shares	Preference shares	Preference shares
23	Convertible or non-convertible	No	No	Yes	Yes
24	of which: If convertible, specify conversion trigger(s)	-	-	Going concern trigger event or non-viability trigger	Going concern trigger event or non-viability trigger
25	of which: If convertible, fully or partially	-	-	Upon the occurrence of going concern trigger event, convert fully or partially; upon the occurrence of non-viability trigger event, convert fully	Upon the occurrence of going concern trigger event, convert fully or partially; upon the occurrence of non-viability trigger event, convert fully
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. 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, 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 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. 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, 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.
27	of which: If convertible, mandatory conversion or not	-	-	Yes	Yes
28	of which: If convertible, specify instrument type convertible into	-	-	Ordinary Shares	Ordinary Shares
29	of which: If convertible, specify issuer of instrument convertible into	-	-	Agricultural Bank of China Limited	Agricultural Bank of China Limited
30	Write-down feature	No	No	No	No
31	of which: If write-down, specify write-down trigger(s)	-	-	-	-
32	of which: If write-down, partial or full	-	-	-	-
33	of which: If write-down, permanent or temporary	-	-	-	-
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, junior debt, prior to CET 1 capital instruments
36	Non-eligible transitioned features	No	No	No	No
37	of which: If yes, specify non-eligible features	-	-	-	-

Note: The Bank adjusted the disclosure standards on certain items of preference shares. The "original date of issuance" is subject to the "book building date"; the "issuer call" further describes "conditional call option". The Bank did not exercise the option of two tranches of preference shares on the first call day.

Appendix I Capital Adequacy Ratio Information

		Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)			
		Perpetual Bonds	Perpetual Bonds	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
2	Unique code	1928021	1928023	2028017	2028032
3	Governing laws	"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.	"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 <i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
5	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> post-transitional rules	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
6	of which: Eligible at the Bank/ Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	84,991	34,996	84,992	34,997
9	Par value	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Equity
11	Original date of issuance	2019/08/16	2019/09/03	2020/05/08	2020/08/20
12	Dated of perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior regulatory approval	Subject to call	Subject to call	Subject to call	Subject to call
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	The first call date is 20 August, 2024, fully or partially	The first call date is 5 September, 2024, fully or partially	The first call date is 12 May, 2025, fully or partially	The first call date is 24 August, 2025, fully or partially
16	of which: Subsequent call dates, if applicable	20 August of each year after the first call date	5 September of each year after the first call date	12 May of each year after the first call date	24 August of each year after the first call date
Bonus or Dividends					
17	of which: Fixed or floating dividends/bonus	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.	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	The coupon rate is 4.39% within 5 years from 20 August, 2019.	The coupon rate is 4.20% within 5 years from 5 September, 2019.	The coupon rate is 3.48% within 5 years from 12 May, 2020.	The coupon rate is 4.50% within 5 years from 24 August, 2020.
19	of which: Existence of a dividend stopper	Yes	Yes	Yes	Yes
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	No	No
24	of which: If convertible, specify conversion trigger(s)	-	-	-	-
25	of which: If convertible, fully or partially	-	-	-	-
26	of which: If convertible, determine methods for conversion price	-	-	-	-

Appendix I Capital Adequacy Ratio Information

		Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)			
		Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds
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
31	of which: If write-down, specify write-down trigger(s)	Going concern trigger event or non-viability trigger event	Going concern trigger event or non-viability trigger event	Non-viability trigger event	Non-viability trigger event
32	of which: If write-down, full or partial	Upon the occurrence of going concern trigger event, write-down fully or partially; upon the occurrence of non-viability trigger event, write-down fully	Upon the occurrence of going concern trigger event, write-down fully or partially; upon the occurrence of non-viability trigger event, write down fully	Full or partial	Full or partial
33	of which: If write-down, permanent or temporary	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, 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 <i>pari passu</i> 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 <i>pari passu</i> 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 <i>pari passu</i> 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 <i>pari passu</i> 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
37	of which: If yes, specify non-eligible features	–	–	–	–

Note: The Bank adjusted the disclosure standards on certain items of perpetual bonds. The "original date of issuance" is subject to the "book building date"; the "issuer call" further describes "conditional call option", and each tranche of the Bank's perpetual bonds is not due for call.

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)"	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)"	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/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)	39,981	39,979	9,997	49,989	19,996	39,992	39,994
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	2018/04/27	2019/03/19	2019/03/19	2019/04/11	2019/04/11	2020/05/06
12	Dated or perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	of which: Original maturity date	2027/10/17	2028/04/27	2034/03/19	2029/03/19	2034/04/11	2029/04/11	2030/05/06
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	2023/04/27, redemption amount 40,000	2029/03/19, redemption amount 10,000	2024/03/19, redemption amount 50,000	2029/04/11, redemption amount 20,000	2024/04/11, redemption amount 40,000	2025/05/06, redemption amount 40,000
16	of which: Subsequent call dates, if applicable	-	-	-	-	-	-	-

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
	Bonus or Dividends						
17	of which: Fixed or floating dividends/ bonus	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%	3.10%
19	of which: Existence of a dividend stopper	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
21	of which: Existence of step up or other incentives to redeem	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
23	Convertible or non-convertible	No	No	No	No	No	No
24	of which: If convertible, specify conversion trigger(s)	-	-	-	-	-	-
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	-	-	-	-	-	-
29	of which: If convertible, specify issuer of instrument	-	-	-	-	-	-
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes

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
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, partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full
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 127.3% in the second quarter of 2021, representing a decrease of 2.5 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 2021 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)	5,436,853
CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers, of which:	1,233,776
3	<i>Stable deposits</i>	87,715
4	<i>Less stable deposits</i>	1,146,061
5	Unsecured wholesale funding, of which:	2,949,554
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	793,890
7	<i>Non-operational deposits (all counterparties)</i>	2,110,866
8	<i>Unsecured debt</i>	44,798
9	Secured wholesale funding	5,218
10	Additional requirements, of which:	975,009
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	758,206
12	<i>Outflows related to loss of funding on debt products</i>	136
13	<i>Credit and liquidity facilities</i>	216,667
14	Other contractual funding obligations	174,370
15	Other contingent funding obligations	37,665
16	TOTAL CASH OUTFLOWS	5,375,592
CASH INFLOWS		
17	Secured lending (e.g. reverse repos and borrowed securities)	464,043
18	Inflows from fully performing exposures	619,190
19	Other cash inflows	858,237
20	TOTAL CASH INFLOWS	1,941,470
		Total Adjusted Value
21	TOTAL HQLA	4,372,489
22	TOTAL NET CASH OUTFLOWS	3,434,124
23	LIQUIDITY COVERAGE RATIO (%)	127.3%

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 2021, the net stable funding ratio of the Bank increased by 2.1 percentage points to 127.6% as compared to the previous quarter, with a weighted value of RMB20,194.9 billion for available stable funds and a weighted value of RMB15,826.0 billion for required stable funds. In the second quarter of 2021, the net stable funding ratio decreased by 0.2 percentage point to 127.4% as compared to the previous quarter, with a weighted value of RMB20,307.3 billion for available stable funds and a weighted value of RMB15,943.7 billion for required stable funds.

The net stable funding ratios of the first quarter of 2021 and the second quarter of 2021 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the First Quarter of 2021

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6 to 12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,232,814	–	–	284,943	2,517,758
2	Regulatory capital	2,232,814	–	–	254,943	2,487,758
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	6,944,030	6,727,508	135	163	12,401,352
5	Stable deposits	1,933,670	–	–	–	1,836,986
6	Less stable deposits	5,010,360	6,727,508	135	163	10,564,366
7	Wholesale funding	5,643,780	3,606,252	892,522	489,374	5,056,876
8	Operational deposits	2,878,670	–	–	–	1,439,335
9	Other wholesale funding	2,765,110	3,606,252	892,522	489,374	3,617,541
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	75	1,746,225	169,453	198,342	218,937
12	NSFR derivative liabilities				64,132	–
13	All other liabilities and equity not included in the above categories	75	1,746,225	169,453	134,210	218,937
14	Total ASF					20,194,922

Appendix III Net Stable Funding Ratio Information

No.	Required stable funding (RSF) item	Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6 to 12 months	Over 1 year	
15	Total NSFR high-quality liquid assets (HQLA)					966,549
16	Deposits held at other financial institutions for operational purpose	3,654	245,054	201,541	–	225,125
17	Performing loans and securities	4,613	3,635,434	2,565,556	11,003,339	11,948,578
18	Performing loans to financial institutions secured by Level 1 HQLA	–	3,758	302	121,913	122,627
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	2,582	1,485,603	195,065	48,564	380,183
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:	99	2,006,928	2,218,846	5,940,351	7,139,904
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	10	51,715	77,907	150,389	157,480
22	Performing residential mortgages, of which:	–	101,163	103,918	4,594,081	4,007,497
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	2	3	80	58
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,932	37,982	47,425	298,430	298,367
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	162,931	746,706	740,499	1,049,550	2,515,081
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				3,708	3,152
29	NSFR derivative assets				57,955	–
30	NSFR derivative liabilities before deduction of variation margin posted ¹				14,038	14,038
31	All other assets not included in the above categories	162,931	746,706	740,499	987,887	2,497,891
32	Off-balance sheet items				3,602,019	170,667
33	Total RSF					15,825,998
34	Net stable funding ratio (%)					127.6%

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 2021

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6 to 12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,223,659	–	–	284,927	2,508,586
2	Regulatory capital	2,223,659	–	–	254,927	2,478,586
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	6,834,945	6,860,963	145	185	12,416,637
5	Stable deposits	1,800,097	–	–	–	1,710,092
6	Less stable deposits	5,034,848	6,860,963	145	185	10,706,545
7	Wholesale funding	5,846,289	3,720,543	829,553	513,112	5,153,229
8	Operational deposits	2,968,539	–	–	–	1,484,269
9	Other wholesale funding	2,877,750	3,720,543	829,553	513,112	3,668,960
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	59	1,651,212	151,071	173,476	228,837
12	NSFR derivative liabilities				20,174	–
13	All other liabilities and equity not included in the above categories	59	1,651,212	151,071	153,302	228,837
14	Total ASF					20,307,290
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					828,535
16	Deposits held at other financial institutions for operational purpose	2,261	222,750	153,441	–	189,227
17	Performing loans and securities	3,366	3,288,929	2,732,348	11,254,668	12,173,587
18	Performing loans to financial institutions secured by Level 1 HQLA	–	2,543	401	102,301	102,883
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,231	1,182,025	201,674	45,479	331,862
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:	65	1,949,000	2,377,648	6,101,762	7,328,301
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	10	88,001	42,866	150,814	158,721
22	Performing residential mortgages, of which:	–	103,213	105,566	4,716,526	4,113,425
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	2	3	78	57
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,070	52,148	47,059	288,600	297,116
25	Assets with matching interdependent liabilities	–	–	–	–	–

Appendix III Net Stable Funding Ratio Information

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6 to 12 months	Over 1 year	
26	Other assets	157,440	757,980	740,759	1,076,831	2,571,495
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,506	1,280
29	NSFR derivative assets				51,018	30,844
30	NSFR derivative liabilities before deduction of variation margin posted ¹				7,868	7,868
31	All other assets not included in the above categories	157,440	757,980	740,759	1,024,307	2,531,503
32	Off-balance sheet items				3,816,250	180,904
33	Total RSF					15,943,747
34	Net stable funding ratio (%)					127.4%

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

Appendix IV Leverage Ratio Information

As at 30 June 2021, 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 7.35%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	30 June 2021	31 March 2021	31 December 2020	30 September 2020
Tier 1 capital, net	2,245,341	2,253,523	2,195,256	2,143,136
Adjusted on-and off-balance sheet assets	30,555,010	30,951,031	29,572,540	29,601,836
Leverage ratio	7.35%	7.28%	7.42%	7.24%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	28,652,363
2	Adjustment for consolidation	(104,507)
3	Adjustment for clients' assets	–
4	Adjustment for derivatives	33,061
5	Adjustment for securities financing transactions	2,482
6	Adjustment for off-balance sheet items	1,981,120
7	Other adjustments	(9,509)
8	Adjusted on-and off-balance sheet assets	30,555,010

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	27,617,422
2	Less: Deductions from Tier 1 capital	(9,509)
3	Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	27,607,913
4	Replacement cost of all derivatives (net of eligible margin)	42,753
5	Potential risk exposure of all derivatives	43,005
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	(584)
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	95
10	Less: Deductible amounts of written credit derivative assets	–
11	Derivative assets	85,269
12	Securities financing transaction assets for accounting purpose	878,226
13	Less: Deductible amounts of securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction	2,482
15	Securities financing transaction assets resulting from agent transaction	–
16	Securities financing transaction assets	880,708
17	Off-balance sheet items	5,679,911
18	Less: Adjustments for conversion to credit equivalent amounts	(3,698,791)
19	Adjusted off-balance sheet items	1,981,120
20	Tier 1 capital, net	2,245,341
21	Adjusted on-and off-balance sheet assets	30,555,010
22	Leverage ratio	7.35%



1,235.01

0.00

25,187.70

7,645.05

210.95

12,411.80

149.16

27,752.93

23.26

1.41%

**Interim Financial
Information
(Unaudited)**

Report on review of Interim Financial Information



To the Board of Directors of Agricultural Bank of China Limited

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

Introduction

We have reviewed the interim financial information set out on pages 121 to 238, which comprises the condensed consolidated interim statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2021 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 explanatory notes. 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, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information 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, issued by the International Auditing and Assurance Standards Board. A review of the interim financial information consists of making enquiries, 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 as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong, PRC
30 August 2021

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Interest income	6	493,471	458,431
Interest expense	6	(210,114)	(191,422)
Net interest income	6	283,357	267,009
Fee and commission income	7	57,487	51,270
Fee and commission expense	7	(9,337)	(7,032)
Net fee and commission income	7	48,150	44,238
Net trading gain	8	8,359	7,388
Net gain/(loss) on financial investments	9	1,432	(3,791)
Net gain on derecognition of financial assets measured at amortized cost		1	–
Other operating income	10	24,955	24,930
Operating income		366,254	339,774
Operating expenses	11	(116,691)	(108,043)
Credit impairment losses	12	(96,138)	(99,123)
Impairment losses on other assets		(3)	(51)
Operating profit		153,422	132,557
Share of results of associates and joint ventures		116	(2)
Profit before tax		153,538	132,555
Income tax expense	13	(30,705)	(23,365)
Profit for the period		122,833	109,190
Attributable to:			
Equity holders of the Bank		122,278	108,834
Non-controlling interests		555	356
		122,833	109,190
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	15	0.34	0.30

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 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	122,833	109,190
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	2,189	1,980
Loss allowance on financial assets at fair value through other comprehensive income	(3,620)	5,006
Income tax impact for fair value changes and loss allowance on financial assets at fair value through other comprehensive income	406	(1,596)
Foreign currency translation differences	(651)	566
Subtotal	(1,676)	5,956
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	186	16
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	(46)	(4)
Subtotal	140	12
Other comprehensive income, net of tax	(1,536)	5,968
Total comprehensive income for the period	121,297	115,158
Total comprehensive income attributable to:		
Equity holders of the Bank	120,732	114,642
Non-controlling interests	565	516
	121,297	115,158

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

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Assets			
Cash and balances with central banks	16	2,363,943	2,437,275
Deposits with banks and other financial institutions	17	405,634	434,185
Precious metals		171,357	87,357
Placements with and loans to banks and other financial institutions	18	449,997	546,948
Derivative financial assets	19	52,208	61,937
Financial assets held under resale agreements	20	878,226	816,206
Loans and advances to customers	21	15,860,306	14,552,433
Financial investments	22		
Financial assets at fair value through profit or loss		471,006	583,069
Debt instrument investments at amortized cost		6,008,417	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income		1,487,612	1,555,370
Investment in associates and joint ventures	23	9,120	8,865
Property and equipment	24	149,369	151,154
Goodwill		1,381	1,381
Deferred tax assets	25	134,608	133,355
Other assets	26	209,179	151,292
Total assets		28,652,363	27,205,047
Liabilities			
Borrowings from central banks	27	701,164	737,161
Deposits from banks and other financial institutions	28	1,412,381	1,394,516
Placements from banks and other financial institutions	29	349,884	390,660
Financial liabilities at fair value through profit or loss	30	18,226	27,817
Derivative financial liabilities	19	38,142	65,282
Financial assets sold under repurchase agreements	31	27,127	109,195
Due to customers	32	21,926,574	20,372,901
Dividends payable	14	1,405	–
Debt securities issued	33	1,442,284	1,371,845
Deferred tax liabilities	25	349	334
Other liabilities	34	472,460	524,590
Total liabilities		26,389,996	24,994,301

Condensed Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Equity			
Ordinary shares	35	349,983	349,983
Other equity instruments	36	319,875	319,875
Preference shares		79,899	79,899
Perpetual bonds		239,976	239,976
Capital reserve	37	173,556	173,556
Investment revaluation reserve	38	25,093	25,987
Surplus reserve	39	196,354	196,071
General reserve	40	351,604	311,449
Retained earnings		840,404	828,240
Foreign currency translation reserve		(1,024)	(372)
Equity attributable to equity holders of the Bank		2,255,845	2,204,789
Non-controlling interests		6,522	5,957
Total equity		2,262,367	2,210,746
Total equity and liabilities		28,652,363	27,205,047

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

Approved and authorized for issue by the Board of Directors on 30 August 2021.



Chairman

Vice Chairman

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2021
(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 2020 (Audited)		349,983	319,875	173,556	25,987	196,071	311,449	828,240	(372)	2,204,789	5,957	2,210,746
Profit for the period		-	-	-	-	-	-	122,278	-	122,278	555	122,833
Other comprehensive income		-	-	-	(894)	-	-	-	(652)	(1,546)	10	(1,536)
Total comprehensive income for the period		-	-	-	(894)	-	-	122,278	(652)	120,732	565	121,297
Appropriation to surplus reserve	39	-	-	-	-	283	-	(283)	-	-	-	-
Appropriation to general reserve	40	-	-	-	-	-	40,155	(40,155)	-	-	-	-
Dividends paid to ordinary equity holders	14	-	-	-	-	-	-	(64,782)	-	(64,782)	-	(64,782)
Dividends paid to other equity instrument holders	14	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)
As at 30 June 2021 (Unaudited)		349,983	319,875	173,556	25,093	196,354	351,604	840,404	(1,024)	2,255,845	6,522	2,262,367
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	5,506	1,953,861
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 equity holders		-	84,992	-	-	-	-	-	-	84,992	-	84,992
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 other equity instrument holders	14	-	-	-	-	-	-	(2,200)	-	(2,200)	-	(2,200)
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	6,022	2,088,149
Profit for the period		-	-	-	-	-	-	107,091	-	107,091	119	107,210
Other comprehensive income		-	-	-	(8,939)	-	-	-	(3,157)	(12,096)	(209)	(12,305)
Total comprehensive income for the period		-	-	-	(8,939)	-	-	107,091	(3,157)	94,995	(90)	94,905
Capital contribution from equity holders		-	34,997	-	-	-	-	-	-	34,997	25	35,022
Appropriation to surplus reserve	39	-	-	-	-	21,055	-	(21,055)	-	-	-	-
Appropriation to general reserve	40	-	-	-	-	-	(376)	376	-	-	-	-
Dividends paid to other equity instrument holders	14	-	-	-	-	-	-	(7,330)	-	(7,330)	-	(7,330)
As at 31 December 2020 (Audited)		349,983	319,875	173,556	25,987	196,071	311,449	828,240	(372)	2,204,789	5,957	2,210,746

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 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	153,538	132,555
Adjustments for:		
Amortization of intangible assets and other assets	1,039	984
Depreciation of property, equipment and right-of-use assets	8,624	8,473
Credit impairment losses	96,138	99,123
Impairment losses on other assets	3	51
Interest income arising from investment securities	(123,643)	(116,197)
Interest expense on debt securities issued	19,082	17,579
Revaluation loss/(gain) on financial instruments at fair value through profit or loss	4,269	(10,846)
Net gain on investment securities	(218)	(451)
Share of results of associates and joint ventures	(116)	2
Net gain on disposal of property, equipment and other assets	(500)	(456)
Net foreign exchange loss/(gain)	5,577	(3,004)
	163,793	127,813
Net change in operating assets and operating liabilities:		
Net decrease/(increase) in balances with central banks, deposits with banks and other financial institutions	94,187	(253,316)
Net decrease in placements with and loans to banks and other financial institutions	24,627	30,389
Net decrease/(increase) in financial assets held under resale agreements	17,104	(82,343)
Net increase in loans and advances to customers	(1,388,244)	(1,193,584)
Net (decrease)/increase in borrowings from central banks	(42,136)	21,008
Net (decrease)/increase in placements from banks and other financial institutions	(40,563)	19,276
Net increase in due to customers and deposits from banks and other financial institutions	1,556,652	1,291,958
Increase in other operating assets	(42,706)	(294,664)
(Decrease)/increase in other operating liabilities	(124,216)	70,502
Cash from/(used in) operations	218,498	(262,961)
Income tax paid	(57,333)	(60,985)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	161,165	(323,946)

Condensed Consolidated Interim Statement of Cash Flows (Continued)

For the six months ended 30 June 2021
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		726,134	990,336
Cash received from investment income		121,088	114,839
Cash received from disposal of investment in joint ventures		530	–
Cash received from disposal of property, equipment and other assets		2,255	1,329
Cash paid for purchase of investment securities		(978,522)	(1,338,582)
Increase in investment in associates and joint ventures		(809)	(888)
Cash paid for purchase of property, equipment and other assets		(9,288)	(5,113)
NET CASH USED IN INVESTING ACTIVITIES		(138,612)	(238,079)
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		841,711	586,947
Repayments of debt securities issued		(766,922)	(556,753)
Cash payments for interest on debt securities issued		(22,907)	(20,376)
Cash payments for transaction cost of debt securities issued		(15)	(6)
Cash payments for principal portion and interest portion of the lease liability		(2,103)	(2,213)
Dividends paid		(68,271)	(2,313)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(18,507)	90,278
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,046	(471,747)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		1,175,153	1,454,581
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(5,776)	3,045
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	41	1,173,423	985,879
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		353,192	310,677
Interest paid		(170,285)	(167,548)

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

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

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking and Insurance Regulatory Commission (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 Chinese mainland are referred to as “Domestic Institutions”. Branches and subsidiaries registered and operating outside of the Chinese mainland are referred to as “Overseas Institutions”.

2 BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 2020.

The interim financial information should be read in conjunction with the Group’s annual financial information for the year ended 31 December 2020, which have been audited.

3.1 Standards and amendments effective in 2021 relevant to and adopted by the Group

In the current reporting 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 reporting period.

		Notes
(1)	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 (i)
(2)	Amendment to IFRS 16	Covid-19-Related Rent Concessions (ii)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021
(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Standards and amendments effective in 2021 relevant to and adopted by the Group (Continued)

(i) Description of this standard and amendment was disclosed in the Group's annual financial information for the year ended 31 December 2020. The adoption of this standard and amendment 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 31 March 2021, the IASB issued amendments to IFRS 16: to provide a one-year extension to one of the eligibility criteria for the use of the practical expedient (the "PE"). As a result, rent concessions that reduce only lease payments originally due on or before 30 June 2022 would become eligible (compared to 30 June 2021 as in PE 2020). The adoption of the amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

3.2 Standards and amendments relevant to the Group that are not yet effective in the current reporting 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 International Financial Reporting Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

		Effective for annual periods beginning on or after	Notes
(1)	Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022 (i)
(2)	Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022 (i)
(3)	Amendments to IAS 16	Proceeds before Intended Use	1 January 2022 (i)
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018–2020 cycle	1 January 2022 (i)
(5)	Amendments to IAS 1	Amended by Classification of Liabilities as Current or Non-current	1 January 2023 (i)
(6)	IFRS 17	Insurance Contracts	1 January 2023 (ii)
(7)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023 (iii)
(8)	Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023 (iv)
(9)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023 (v)
(10)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred. (i)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

(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 reporting period and have not been adopted before their effective dates by the Group (Continued)

(i) Descriptions of these standards and amendments were disclosed in the Group's annual financial information for the year ended 31 December 2020. 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 17: Insurance Contracts

Descriptions of this amendments was disclosed in the Group's annual financial information for the year ended 31 December 2020. The Group has not completed its assessment of the impact on the Group's operating results and financial position of adopting IFRS 17.

(iii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB issued the amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. The amendments include: An entity will be required to disclose its material accounting policy information instead of its significant accounting policies; Additional guidance has been provided on how an entity can identify material accounting policy information; and IFRS Practice Statement 2 Making Materiality Judgements has been amended by adding guidance and examples to explain and illustrate the application of the "four-step materiality process" to accounting policy information in order to support the amendments to IAS 1 Presentation of Financial Statements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iv) Amendments to IAS 8: Definition of Accounting Estimates

The IASB issued the amendments to IAS 8: Definition of Accounting Estimates. The amendment defined the "Accounting estimates" are now as "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The definition of "a change in accounting estimate" is removed. The amendment also clarifies that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(v) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB issued targeted amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments specified how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of 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 2020.

Notes to the Condensed Consolidated Interim Financial Statements

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

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Group as at 30 June 2021:

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	HKD4,113,392,450	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	USD100,000,002	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.	18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company	12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i) 12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company	25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company	30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company	20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company	24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii) 19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited	26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited	23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.	(iii) 1 August 2017	Beijing, PRC	RMB20,000,000,000	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

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

(1) Investment in subsidiaries (Continued)

For the six months ended 30 June 2021, there were no changes in the proportion of equity interest or voting rights the Group held in its subsidiaries.

- (i) *Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.*
- (ii) *On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). The Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Group and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Group held in ABC Life Insurance remained at 51%.*

As at 30 June 2021, there was no objective evidence noted for any goodwill impairment and no impairment loss was recognized.

- (iii) *The Bank increased the share capital of ABC Financial Asset Investment Co., Ltd. by RMB10 billion as at 25 January 2021, and the proportion of equity interest and voting rights the Bank held in this subsidiary remained at 100%.*

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5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES 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
Shenzhen Yuanzhifuhai No. 6 Investment (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB1,110,854,000	9.00	20.00	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	20.00	Non Securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center (Limited Partnership)	(ii)	2019	Jilin, PRC	RMB3,885,500,000	25.26	20.00	Non Securities investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center (Limited Partnership)	(ii)	2020	Beijing, PRC	RMB6,000,000,000	15.67	14.29	Equity investment
National Green Development Fund Co.,Ltd.	(iii)	2020	Shanghai, PRC	RMB88,500,000,000	9.04	9.04	Equity investment, project investment and investment management

- (i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter referred to as BSCA.Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA.Bank, and has the right to participate in the financial and operational decisions of BSCA.Bank, but does not constitute control or joint control over those decisions.
- (ii) The Bank's wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises but the right does not have control or joint control over those decisions.
- (iii) The Bank was approved to participate in the investment in National Green Development Fund Co., Ltd. in 2021. The Bank holds 9.04% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

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5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES 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 (Limited Partnership)	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, Debt-to-Equity and related supporting services
Nongjin Gaotou (Hubei) Debt-to-Equity Investment Fund (Limited Partnership)	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non Securities equity investment activities and related advisory services
Suida (Jiaxing) Investment (Limited Partnership)	2018	Zhejiang, PRC	RMB1,200,000,000	41.71	40.00	Industrial investment
Jiaxing Suihe New Silk Road Investment Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Zhejiang New Power Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
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 (Limited Partnership)	2019	Zhejiang, PRC	RMB400,000,000	70.00	50.00	Investment and investment management
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Nongying Financial Holding Equity Investment Fund Partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity investment
Shenzhen CIMC Nongyin Shuren Investment Partnership (Limited Partnership)	2019	Guangdong, PRC	RMB1,601,000,000	49.97	33.33	Venture capital business
Shanghai Diantousuihe Equity Investment Fund (Limited Partnership)	2020	Shanghai, PRC	RMB5,000,000,000	80.00	50.00	Industrial investment, equity investment and investment consultation
Ningbo Suiheyongshang Equity Investment Partnership (Limited Partnership)	2020	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Equity investment

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

(3) Investment in joint ventures (Continued)

The Bank's wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors established the above-mentioned partnership. According to the partnership agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Bank constitutes joint control over the financial and operational 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.

6 NET INTEREST INCOME

	Six months ended 30 June	
	2021	2020
Interest income		
Loans and advances to customers	336,144	310,235
Including: Corporate loans and advances	180,890	170,013
Personal loans and advances	151,718	135,218
Discounted bills	3,536	5,004
Financial investments		
Debt instrument investments at amortized cost	100,320	89,302
Other debt instrument investments at fair value through other comprehensive income	23,323	26,895
Balances with central banks	18,150	16,970
Financial assets held under resale agreements	6,986	6,537
Deposits with banks and other financial institutions	5,266	3,258
Placements with and loans to banks and other financial institutions	3,282	5,234
Subtotal	493,471	458,431
Interest expense		
Due to customers	(159,674)	(137,981)
Debt securities issued	(19,082)	(17,579)
Deposits from banks and other financial institutions	(19,046)	(21,207)
Borrowings from central banks	(10,205)	(10,689)
Placements from banks and other financial institutions	(1,907)	(3,554)
Financial assets sold under repurchase agreements	(200)	(412)
Subtotal	(210,114)	(191,422)
Net interest income	283,357	267,009

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021	2020
Fee and commission income		
Electronic banking services	15,433	12,498
Agency services	14,014	12,314
Consultancy and advisory services	9,757	7,966
Bank cards	(1) 7,472	7,117
Settlement and clearing services	7,114	6,933
Custodian and other fiduciary	2,076	3,043
Credit commitment	1,257	1,062
Others	364	337
Subtotal	57,487	51,270
Fee and commission expense		
Bank cards	(1) (6,277)	(4,426)
Electronic banking services	(1,701)	(1,357)
Settlement and clearing services	(762)	(674)
Others	(597)	(575)
Subtotal	(9,337)	(7,032)
Net fee and commission income	48,150	44,238

(1) In accordance with the requirements pursuant to the Notice on "Strict Implementation of Accounting Standards for Enterprises and Effective Enhancement of 2020 Annual Reports Compilation" issued by the Ministry of Finance of the People's Republic of China (the "MOF"), State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the China Securities Regulatory Commission (the "CSRC"), the Group recognized income and expenses from relevant credit card business as interest income. The comparative figures were adjusted accordingly.

8 NET TRADING GAIN

	Six months ended 30 June	
	2021	2020
Net gain on debt instruments held for trading	2,259	5,950
Net gain on precious metals	(1) 2,737	4,265
Net gain/(loss) on foreign exchange rate derivatives	3,167	(3,874)
Net gain/(loss) on interest rate derivatives	478	(3,767)
Others	(282)	4,814
Total	8,359	7,388

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

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9 NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2021	2020
Net (loss)/gain on debt instruments designated as at fair value through profit or loss	(132)	138
Net gain on other debt instruments measured at fair value through profit or loss	6,907	1,913
Net loss on financial liabilities designated as at fair value through profit or loss	(1) (6,089)	(5,625)
Net gain on debt instruments measured at fair value through other comprehensive income	218	445
Net gain/(loss) on underlying assets and liabilities related to principal guaranteed wealth management products designated as at fair value through profit or loss	639	(592)
Others	(111)	(70)
Total	1,432	(3,791)

(1) Net loss on financial liabilities designated as at fair value through profit or loss consists of the amount paid upon the maturity of structured deposits measured at fair value through profit or loss.

10 OTHER OPERATING INCOME

	Six months ended 30 June	
	2021	2020
Insurance premium	22,703	20,273
Gain on disposal of property and equipment	511	483
Rental income	505	491
Government grant	465	245
Net (loss)/gain on foreign exchange	(5)	2,800
Others	776	638
Total	24,955	24,930

11 OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
Staff costs	(1) 61,993	57,413
Insurance benefits and claims	22,722	20,538
General operating and administrative expenses	18,032	16,686
Depreciation and amortization	9,663	9,457
Tax and surcharges	(2) 3,188	2,695
Others	1,093	1,254
Total	116,691	108,043

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11 OPERATING EXPENSES (Continued)

(1) Staff costs

	Six months ended 30 June	
	2021	2020
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	40,520	38,878
Housing funds	4,558	4,285
Social insurance	2,939	2,066
Including: Medical insurance	2,751	1,907
Maternity insurance	111	104
Employment injury insurance	77	55
Labor union fees and staff education expenses	1,805	1,728
Others	3,648	3,816
Subtotal	53,470	50,773
Defined contribution benefits	8,526	6,804
Early retirement benefits	(3)	(164)
Total	61,993	57,413

- (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 Value Added Tax (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 Institutions.

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

Notes to the Condensed Consolidated Interim Financial Statements

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12 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2021	2020
Loans and advances to customers	92,011	81,782
Financial investments		
Debt instrument investments at amortized cost	1,703	1,774
Other debt instruments investments at fair value through other comprehensive income	7	2,498
Provision for guarantees and commitments	3,372	7,263
Placements with and loans to banks and other financial institutions	(16)	4,159
Deposits with banks and other financial institutions	(418)	1,107
Financial assets held under resale agreements	(725)	193
Others	204	347
Total	96,138	99,123

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
Current income tax		
— PRC Enterprise Income Tax	31,102	27,501
— Hong Kong SAR Income Tax	268	224
— Other jurisdictions Income Tax	213	52
Subtotal	31,583	27,777
Deferred tax (Note 25)	(878)	(4,412)
Total	30,705	23,365

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 Institutions 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 Chinese mainland. Taxation arising in other jurisdictions (including Hong Kong SAR) is calculated at the rates prevailing in the relevant jurisdictions.

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13 INCOME TAX EXPENSE (Continued)

The tax charges for the six months ended 30 June 2021 and 30 June 2020 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

	Six months ended 30 June	
	2021	2020
Profit before tax	153,538	132,555
Tax calculated at applicable PRC statutory tax rate of 25%	38,385	33,139
Tax effect of income not taxable for tax purpose (1)	(19,999)	(17,518)
Tax effect of costs, expenses and losses not deductible for tax purpose	13,115	7,747
Tax effect of perpetual bond interest expense	(740)	–
Effect of different tax rates in overseas institutions	(56)	(3)
Income tax expense	30,705	23,365

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

14 DIVIDENDS

	Six months ended 30 June	
	2021	2020
Dividends on ordinary shares declared		
Cash dividend related to 2020 (1)	64,782	–
Cash dividend related to 2019 (2)	–	63,662
	64,782	63,662
Dividends on preference shares declared and paid (4)	1,936	2,200
Interest on perpetual bonds declared and paid (5)	2,958	–

(1) Distribution of final dividend for 2020

A cash dividend of RMB0.1851 per ordinary share related to 2020, amounting to RMB64,782 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2020 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 27 May 2021.

The dividend unpaid was recognized as dividends payable as at 30 June 2021 and paid in July 2021.

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14 DIVIDENDS (Continued)

(2) *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 PRC GAAP, at the annual general meeting held on 29 June 2020.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2020.

(3) *No dividends on ordinary shares related to the period from 1 January 2021 to 30 June 2021 were proposed, declared and paid or during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2021.*

(4) *Distribution of dividend on preference shares for 2021*

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2020 to 2021 amounting to RMB1,936 million in total was approved at the Board of Directors' Meeting held on 27 January 2021 and distributed on 11 March 2021.

Distribution of dividend on preference shares for 2020

A cash dividend at the dividend rate of 5.50% per annum related to the second tranche of preference shares of 2019 to 2020 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.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2019 to 2020 amounting to RMB2,128 million in total was approved at the Board of Directors' Meeting held on 3 July 2020 and distributed on 5 November 2020.

(5) *Distribution of interest on perpetual bonds for 2021*

An interest at the interest rate of 3.48% per annum related to the first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 7 May 2021 and distributed on 12 May 2021.

Distribution of interest on perpetual bonds for 2020

An interest at the interest rate of 4.39% per annum related to the first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 17 August 2020 and distributed on 20 August 2020.

An interest at the interest rate of 4.20% per annum related to the second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 2 September 2020 and distributed on 7 September 2020.

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15 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
Earnings:		
Profit for the period attributable to equity holders of the Bank	122,278	108,834
Less: profit for the period attributable to other equity instrument holders of the Bank	(4,894)	(2,200)
Profit for the period attributable to ordinary equity holders of the Bank	117,384	106,634
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)	0.34	0.30

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 year ended 31 December 2020 and 31 December 2019, the Bank issued non-cumulative undated tier 1 capital bonds, respectively, and the specific terms are included in Note 36 Other Equity Instruments.

For the purpose of calculating basic earnings per share for the six months ended 30 June 2021, cash dividends and interest of RMB4,894 million of non-cumulative preference shares and non-cumulative undated tier 1 capital bonds declared and distributed was deducted from the profit for the period attributable to equity holders of the Bank (six months ended 30 June 2020: cash dividends of RMB2,200 million of non-cumulative preference shares).

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 2021 and 30 June 2020, therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

16 CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2021	31 December 2020
Cash	75,177	76,281
Mandatory reserve deposits with central banks (1)	2,028,698	2,126,330
Surplus reserve deposits with central banks (2)	51,748	40,494
Other deposits with central banks (3)	207,371	193,142
Subtotal	2,362,994	2,436,247
Accrued interest	949	1,028
Total	2,363,943	2,437,275

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16 CASH AND BALANCES WITH CENTRAL BANKS (Continued)

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

As at 30 June 2021, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

- (2) *Surplus reserve deposits with central banks include funds for the purpose of cash settlement and other kinds of unrestricted deposits.*
- (3) *Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.*

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
Deposits with:		
Domestic banks	354,313	391,366
Other domestic financial institutions	22,878	13,511
Overseas banks	25,718	27,826
Gross carrying amount	402,909	432,703
Accrued interest	4,211	3,387
Allowance for impairment losses	(1,486)	(1,905)
Deposits with banks and other financial institutions, net	405,634	434,185

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18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
Placements with and loans to:		
Domestic banks	190,528	148,136
Other domestic financial institutions	155,992	219,887
Overseas banks and other financial institutions	104,829	179,927
Gross carrying amount	451,349	547,950
Accrued interest	1,368	1,750
Allowance for impairment losses	(2,720)	(2,752)
Placements with and loans to banks and other financial institutions, net	449,997	546,948

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 in the 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 net settlement arrangements or similar agreements. The agreements 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 net settlement 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. The Group did not offset these financial assets and financial liabilities on a net basis. As at 30 June 2021 and 31 December 2020, the Group does not hold any other financial instruments, other than derivatives, that are subject to master net settlement arrangements or similar agreements.

Notes to the Condensed Consolidated Interim Financial Statements

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19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

	30 June 2021		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	2,169,312	36,577	(34,606)
Currency options	67,740	2,735	(450)
Subtotal		39,312	(35,056)
Interest rate derivatives			
Interest rate swaps	358,496	922	(3,037)
Precious metal contracts and others	202,219	11,974	(49)
Total derivative financial assets and liabilities		52,208	(38,142)
	31 December 2020		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	2,411,639	54,466	(57,312)
Currency options	70,259	3,721	(444)
Subtotal		58,187	(57,756)
Interest rate derivatives			
Interest rate swaps	352,044	1,009	(4,357)
Precious metal contracts and others	155,555	2,741	(3,169)
Total derivative financial assets and liabilities		61,937	(65,282)

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 2021 and 31 December 2020, the credit risk weighted amount for derivative transaction counterparties was measured under the Internal Ratings Based Approach .

	30 June 2021	31 December 2020
Counterparty credit default risk-weighted assets	71,007	74,562
Credit value adjustment risk-weighted assets	10,435	11,905
Total	81,442	86,467

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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 2021		
	Notional amounts	Fair values Assets	Liabilities
Interest rate swaps	65,404	11	(1,995)

	31 December 2020		
	Notional amounts	Fair values Assets	Liabilities
Interest rate swaps	63,256	18	(2,860)

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

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

	Six months ended 30 June	
	2021	2020
Net (loss)/gain on hedging instruments	(702)	(2,785)
hedged items	662	2,666

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the six months ended 30 June 2021 and the six months ended 30 June 2020.

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19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) Fair value hedges (Continued)

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

	Fair value hedges					Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 1 year	Between 1 and 5 years	Over 5 years	
30 June 2021	162	548	14,700	45,702	4,292	65,404
31 December 2020	757	1,747	9,914	39,239	11,599	63,256

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

	30 June 2021					Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items			
	Assets	Liabilities	Assets	Liabilities		
Bonds	69,249	-	-	-	Other debt instrument investments at fair value through other comprehensive income	
Loans	2,596	-	109	-	Loans and advances to customers	
Total	71,845	-	109	-		

	31 December 2020					Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items			
	Assets	Liabilities	Assets	Liabilities		
Bonds	63,801	-	-	-	Other debt instrument investments at fair value through other comprehensive income	
Loans	4,595	-	167	-	Loans and advances to customers	
Total	68,396	-	167	-		

(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 one year.

For the six months ended 30 June 2021, the Group's net gain from the cash flow hedge of RMB18 million was recognized in other comprehensive income (six months ended 30 June 2020: net loss of RMB11 million) and the gain and loss arising from the ineffective portion of cash flow hedge were immaterial.

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20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2021	31 December 2020
Analyzed by collateral type:		
Debt securities	770,543	761,081
Bills	108,979	56,801
Subtotal	879,522	817,882
Accrued interest	521	866
Allowance for impairment losses	(1,817)	(2,542)
Financial assets held under resale agreements, net	878,226	816,206

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

21 LOANS AND ADVANCES TO CUSTOMERS

21.1 Analyzed by measurement basis

		30 June 2021	31 December 2020
Measured at amortized cost	(1)	15,504,782	13,974,384
Measured at fair value through other comprehensive income	(2)	355,524	577,997
Measured at fair value through profit or loss	(3)	—	52
Total		15,860,306	14,552,433

(1) Measured at amortized cost

	30 June 2021	31 December 2020
Corporate loans and advances		
Loans and advances	9,374,259	8,339,235
Personal loans and advances	6,770,928	6,218,837
Subtotal	16,145,187	14,558,072
Accrued interest	38,626	34,321
Allowance for impairment losses	(679,031)	(618,009)
Carrying amount of loans and advances to customers measured at amortized cost	15,504,782	13,974,384

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21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.1 Analyzed by measurement basis (Continued)

(2) Measured at fair value through other comprehensive income

	30 June 2021	31 December 2020
Corporate loans and advances		
Loans and advances	92,415	188,522
Discounted bills	263,109	389,475
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	355,524	577,997

(3) Measured at fair value through profit or loss:

	30 June 2021	31 December 2020
Corporate loans and advances	–	52

21.2 Analyzed by assessment method of ECL

	30 June 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	
Gross loans and advances measured at amortized cost (accrued interest not included)	15,624,329	273,514	247,344	16,145,187
Allowance for impairment losses	(462,975)	(56,838)	(159,218)	(679,031)
Loans and advances to customers at amortized cost, net (accrued interest not included)	15,161,354	216,676	88,126	15,466,156
Loans and advances measured at fair value through other comprehensive income	355,514	10	–	355,524
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(9,874)	(1)	–	(9,875)

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21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.2 Analyzed by assessment method of ECL (Continued)

	31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	
Gross loans and advances measured at amortized cost (accrued interest not included)	13,995,576	325,383	237,113	14,558,072
Allowance for impairment losses	(397,768)	(60,700)	(159,541)	(618,009)
Loans and advances to customers at amortized cost, net (accrued interest not included)	13,597,808	264,683	77,572	13,940,063
Loans and advances measured at fair value through other comprehensive income	577,972	25	–	577,997
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(13,195)	(2)	–	(13,197)

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.

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, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;
- 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, transfer and write-offs of financial assets.

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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:

Corporate loans and advances	Six months ended 30 June 2021			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL		
1 January 2021	282,549	53,699	135,634	471,882
Transfer:				
Stage I to stage II	(3,539)	3,539	–	–
Stage II to stage III	–	(12,784)	12,784	–
Stage II to stage I	3,276	(3,276)	–	–
Stage III to stage II	–	861	(861)	–
Originated or purchased financial assets	76,551	–	–	76,551
Remeasurement	3,037	13,207	28,902	45,146
Repayment and transfer out	(39,874)	(5,824)	(14,559)	(60,257)
Write-offs	–	–	(24,233)	(24,233)
30 June 2021	322,000	49,422	137,667	509,089

Personal loans and advances	Six months ended 30 June 2021			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL		
1 January 2021	128,414	7,003	23,907	159,324
Transfer:				
Stage I to stage II	(1,318)	1,318	–	–
Stage II to stage III	–	(2,925)	2,925	–
Stage II to stage I	2,396	(2,396)	–	–
Stage III to stage II	–	1,295	(1,295)	–
Originated or purchased financial assets	44,091	–	–	44,091
Remeasurement	6,428	4,929	7,324	18,681
Repayment and transfer out	(29,162)	(1,807)	(2,507)	(33,476)
Write-offs	–	–	(8,803)	(8,803)
30 June 2021	150,849	7,417	21,551	179,817

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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 2020			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL		
Corporate loans and advances				
1 January 2020	249,600	53,391	110,480	413,471
Transfer:				
Stage I to stage II	(9,141)	9,141	–	–
Stage II to stage III	–	(24,807)	24,807	–
Stage II to stage I	3,555	(3,555)	–	–
Stage III to stage II	–	2,875	(2,875)	–
Originated or purchased financial assets	98,077	–	–	98,077
Remeasurement	(4,839)	23,299	63,387	81,847
Repayment and transfer out	(54,703)	(6,645)	(23,566)	(84,914)
Write-offs	–	–	(36,599)	(36,599)
31 December 2020	282,549	53,699	135,634	471,882

	Year ended 31 December 2020			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL		
Personal loans and advances				
1 January 2020	114,445	4,329	20,870	139,644
Transfer:				
Stage I to stage II	(2,535)	2,535	–	–
Stage II to stage III	–	(6,305)	6,305	–
Stage II to stage I	755	(755)	–	–
Stage III to stage II	–	523	(523)	–
Originated or purchased financial assets	55,463	–	–	55,463
Remeasurement	644	11,846	18,501	30,991
Repayment and transfer out	(40,358)	(5,170)	(8,470)	(53,998)
Write-offs	–	–	(12,776)	(12,776)
31 December 2020	128,414	7,003	23,907	159,324

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22 FINANCIAL INVESTMENTS

		30 June 2021	31 December 2020
Financial assets at fair value through profit or loss	22.1	471,006	583,069
Debt instrument investments at amortized cost	22.2	6,008,417	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	22.3	1,487,612	1,555,370
Total		7,967,035	7,822,659

22.1 Financial assets at fair value through profit or loss

		30 June 2021	31 December 2020
Financial assets held for trading	(1)	178,828	223,960
Other financial assets at fair value through profit or loss	(2)	261,875	260,240
Financial assets designated at fair value through profit or loss	(3)	30,303	98,869
Total		471,006	583,069
Analyzed as:			
Listed in Hong Kong SAR		5,737	4,613
Listed outside Hong Kong SAR	(i)	300,074	390,444
Unlisted		165,195	188,012
Total		471,006	583,069

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

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22 FINANCIAL INVESTMENTS (Continued)

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

(1) Financial assets held for trading

	30 June 2021	31 December 2020
Debt securities issued by:		
Governments	12,129	7,904
Public sector and quasi-governments	75,899	49,764
Financial institutions	38,346	79,243
Corporates	11,856	45,614
Subtotal	138,230	182,525
Precious metal contracts	15,060	21,959
Equity	4,998	4,944
Fund and others	20,540	14,532
Total	178,828	223,960

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

	30 June 2021	31 December 2020
Debt securities issued by:		
Public sector and quasi-governments	25,911	25,372
Financial institutions	104,630	106,820
Corporates	1,370	1,816
Subtotal	131,911	134,008
Equity	98,306	97,401
Fund and others	31,658	28,831
Total	261,875	260,240

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

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

	30 June 2021	31 December 2020
Debt securities issued by:		
Governments	3,148	9,440
Public sector and quasi-governments	8,471	18,071
Financial institutions	8,734	32,456
Corporates	1,985	3,899
Subtotal	22,338	63,866
Placements with and loans to banks and other financial institutions	2,974	27,935
Others	4,991	7,068
Total	30,303	98,869

(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.

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22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost

		30 June 2021	31 December 2020
Debt securities issued by:			
Governments		3,779,909	3,545,856
Public sector and quasi-governments		1,441,433	1,311,556
Financial institutions		181,543	204,310
Corporates		110,306	129,738
Subtotal		5,513,191	5,191,460
Receivable from the MOF	(i)	290,891	290,891
Special government bond	(ii)	93,348	93,348
Others	(iii)	16,027	14,413
Total		5,913,457	5,590,112
Accrued interest		112,761	110,212
Allowance for impairment losses		(17,801)	(16,104)
Debt instrument investments at amortized cost, net		6,008,417	5,684,220
Analyzed as:			
Listed in Hong Kong SAR		21,384	19,630
Listed outside Hong Kong SAR	(iv)	5,523,218	5,304,920
Unlisted		463,815	359,670
Total		6,008,417	5,684,220

- (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 instrument investments at amortized cost 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 SAR".

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22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(1) Analyzed by assessment method of ECL

	30 June 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	
Gross debt instrument investments at amortized cost	6,024,447	699	1,072	6,026,218
Allowance for impairment losses	(16,554)	(184)	(1,063)	(17,801)
Debt instrument investments at amortized cost, net	6,007,893	515	9	6,008,417
	31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	
Gross debt instrument investments at amortized cost	5,697,187	2,064	1,073	5,700,324
Allowance for impairment losses	(14,850)	(190)	(1,064)	(16,104)
Debt instrument investments at amortized cost, net	5,682,337	1,874	9	5,684,220

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

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

	Six months ended 30 June 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	
1 January 2021	14,850	190	1,064	16,104
Transfer:				
Stage II transfer to stage I	32	(32)	–	–
Originated or purchased financial assets	2,264	–	–	2,264
Remeasurement	519	27	(1)	545
On maturity or transfer out	(1,111)	(1)	–	(1,112)
30 June 2021	16,554	184	1,063	17,801

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22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

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

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	
1 January 2020	8,409	32	1,047	9,488
Transfer:				
Stage I transfer to stage II	(33)	33	–	–
Originated or purchased financial assets	4,321	–	–	4,321
Remeasurement	3,295	126	144	3,565
On maturity or transfer out	(1,142)	(1)	–	(1,143)
Write-offs	–	–	(127)	(127)
31 December 2020	14,850	190	1,064	16,104

(i) As at 30 June 2021, 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 during the period.

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

		30 June 2021			
		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)	1,468,068	1,482,765	14,697	(9,789)
Equity instruments	(2)	3,517	4,847	1,330	N/A
Total		1,471,585	1,487,612	16,027	(9,789)

		31 December 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)	1,537,987	1,551,439	13,452	(10,074)
Equity instruments	(2)	2,784	3,931	1,147	N/A
Total		1,540,771	1,555,370	14,599	(10,074)

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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 2021	31 December 2020
Debt securities issued by :		
Governments	679,521	702,202
Public sector and quasi-governments	243,319	242,345
Financial institutions	420,970	453,176
Corporates	103,968	119,079
Subtotal	1,447,778	1,516,802
Others (i)	17,864	18,902
Subtotal of debt instruments	1,465,642	1,535,704
Accrued interest	17,123	15,735
Total	1,482,765	1,551,439
Analyzed as:		
Listed in Hong Kong SAR	134,335	102,413
Listed outside Hong Kong SAR	1,312,815	1,399,150
Unlisted	35,615	49,876
Total	1,482,765	1,551,439

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

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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 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	
Other debt instruments at fair value through other comprehensive income	1,478,762	3,971	32	1,482,765
Allowance for impairment losses	(9,245)	(439)	(105)	(9,789)
	31 December 2020			
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	Total
Other debt instruments at fair value through other comprehensive income	1,545,343	6,030	66	1,551,439
Allowance for impairment losses	(9,536)	(432)	(106)	(10,074)

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

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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 (ii)

	Six months ended 30 June 2021			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL		
1 January 2021	9,536	432	106	10,074
Transfer:				
stage I transfer to stage II	(239)	239	-	-
stage II transfer to stage I	152	(152)	-	-
Originated or purchased financial assets	2,214	-	-	2,214
Remeasurement	(275)	(80)	(1)	(356)
On maturity or transfer out	(2,143)	-	-	(2,143)
30 June 2021	9,245	439	105	9,789
	Year ended 31 December 2020			Total
	Stage I	Stage II	Stage III	
	12-month ECL	Lifetime ECL		
1 January 2020	6,874	-	23	6,897
Transfer:				
stage I transfer to stage II	(211)	211	-	-
Originated or purchased financial assets	4,055	-	-	4,055
Remeasurement	1,029	221	90	1,340
On maturity or transfer out	(2,211)	-	(7)	(2,218)
31 December 2020	9,536	432	106	10,074

(ii) As at 30 June 2021, the decreases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to the maturities or transfer out of existing debt instrument investments during the period.

(2) Equity instruments

	30 June 2021	31 December 2020
Financial institutions	4,702	3,811
Other enterprises	145	120
Total	4,847	3,931

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23 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2021	31 December 2020
Investment in associates	3,472	2,679
Investment in joint ventures	5,737	6,275
Subtotal	9,209	8,954
Allowance for impairment losses — investment in associate	(89)	(89)
Carrying amount	9,120	8,865

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.

24 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2021	185,794	66,118	14,721	7,349	273,982
Additions	1,413	1,303	1,026	2,495	6,237
Transfer in/(out)	1,164	323	192	(1,679)	–
Disposals	(2,040)	(2,361)	(33)	–	(4,434)
30 June 2021	186,331	65,383	15,906	8,165	275,785
Accumulated depreciation					
1 January 2021	(72,476)	(46,282)	(3,718)	–	(122,476)
Charge for the period	(3,366)	(2,913)	(365)	–	(6,644)
Disposals	812	2,216	27	–	3,055
30 June 2021	(75,030)	(46,979)	(4,056)	–	(126,065)
Allowance for impairment losses					
1 January 2021	(262)	(9)	(47)	(34)	(352)
Disposals	–	1	–	–	1
30 June 2021	(262)	(8)	(47)	(34)	(351)
Carrying value					
1 January 2021	113,056	19,827	10,956	7,315	151,154
30 June 2021	111,039	18,396	11,803	8,131	149,369

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24 PROPERTY AND EQUIPMENT (Continued)

	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	4,918	7,060	1,519	5,484	18,981
Transfers in/(out)	933	1,289	223	(2,445)	–
Disposals	(13,522)	(9,347)	(385)	(11)	(23,265)
31 December 2020	185,794	66,118	14,721	7,349	273,982
Accumulated depreciation					
1 January 2020	(73,609)	(48,465)	(3,393)	–	(125,467)
Charge for the year	(6,762)	(6,015)	(634)	–	(13,411)
Disposals	7,895	8,198	309	–	16,402
31 December 2020	(72,476)	(46,282)	(3,718)	–	(122,476)
Allowance for impairment losses					
1 January 2020	(265)	(16)	–	(34)	(315)
Impairment loss	–	–	(49)	–	(49)
Disposals	3	7	2	–	12
31 December 2020	(262)	(9)	(47)	(34)	(352)
Carrying value					
1 January 2020	119,591	18,635	9,971	4,287	152,484
31 December 2020	113,056	19,827	10,956	7,315	151,154

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 2021, 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.

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 2021	31 December 2020
Deferred tax assets	134,608	133,355
Deferred tax liabilities	(349)	(334)
Net	134,259	133,021

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25 DEFERRED TAXATION (Continued)

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

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2021	121,944	10,426	388	10,525	(10,718)	456	133,021
Credit/(charge) to the consolidated income statement	1,991	(879)	(58)	765	(676)	(265)	878
Credit to other comprehensive income	-	-	-	-	360	-	360
30 June 2021	123,935	9,547	330	11,290	(11,034)	191	134,259
1 January 2020	114,140	9,175	533	7,640	(11,302)	246	120,432
Credit/(charge) to the consolidated income statement	7,804	1,251	(145)	2,885	(1,797)	210	10,208
Credit to other comprehensive income	-	-	-	-	2,381	-	2,381
31 December 2020	121,944	10,426	388	10,525	(10,718)	456	133,021

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

	30 June 2021		31 December 2020	
	Deductible/(taxable) temporary difference	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary difference	Deferred tax assets/(liabilities)
Deferred tax assets				
Allowance for impairment losses	495,737	123,935	487,775	121,944
Fair value changes of financial instruments	23,744	5,936	58,107	14,527
Accrued but unpaid staff cost	38,188	9,547	41,705	10,426
Provision	45,161	11,290	42,100	10,525
Early retirement benefits	1,320	330	1,551	388
Others	764	191	1,827	456
Subtotal	604,914	151,229	633,065	158,266
Deferred tax liabilities				
Fair value changes of financial instruments	(67,883)	(16,970)	(100,981)	(25,245)
Net	537,031	134,259	532,084	133,021

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26 OTHER ASSETS

		30 June 2021	31 December 2020
Accounts receivable and temporary payments		145,111	97,619
Land use rights	(1)	18,961	19,340
Right-of-use assets	(2)	9,934	10,196
Intangible assets		4,614	4,154
Interest receivable		3,113	3,070
Investment properties		2,489	2,529
Long-term deferred expenses		2,225	2,233
Value-added tax receivable		1,355	1,192
Premiums receivables, reinsurance receivables and reserves		1,088	655
Foreclosed assets		1,001	716
Others		19,288	9,588
Total		209,179	151,292

- (1) 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 2021, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.
- (2) As at 30 June 2021, the right-of-use assets recognized by the Group mainly include buildings, and are mainly used for daily business. The depreciation expense for the six months ended 30 June 2021 was amounting to RMB1,979 million (six months ended 30 June 2020: RMB1,996 million), and the accumulated depreciation amounting to RMB8,762 million (31 December 2020: RMB7,361 million).

27 BORROWINGS FROM CENTRAL BANKS

		30 June 2021	31 December 2020
Borrowings from central banks		688,010	730,146
Accrued interest		13,154	7,015
Total		701,164	737,161

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

		30 June 2021	31 December 2020
Deposits from:			
Domestic banks		148,652	114,693
Other domestic financial institutions		1,211,568	1,229,313
Overseas banks		2,459	2,006
Other overseas financial institutions		41,319	42,691
Subtotal		1,403,998	1,388,703
Accrued interest		8,383	5,813
Total		1,412,381	1,394,516

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29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
Placements from:		
Domestic banks and other financial institutions	201,338	222,377
Overseas banks and other financial institutions	147,767	167,291
Subtotal	349,105	389,668
Accrued interest	779	992
Total	349,884	390,660

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	31 December 2020
Financial liabilities held for trading		
Precious metal contracts	14,478	13,725
Financial liabilities designated at fair value through profit or loss		
Placements from banks and other financial institutions by principal guaranteed wealth management (1)	–	9,540
Liabilities of the controlled structured entities	3,646	4,452
Others	102	100
Subtotal	3,748	14,092
Total	18,226	27,817

(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 2021 and the year ended 31 December 2020, 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 2021	31 December 2020
Analyzed by type of collateral:		
Debt securities	26,344	107,844
Bills	742	1,325
Subtotal	27,086	109,169
Accrued interest	41	26
Total	27,127	109,195

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

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32 DUE TO CUSTOMERS

	30 June 2021	31 December 2020
Demand deposits		
Corporate customers	5,493,010	5,236,566
Individual customers	6,008,910	5,872,736
Time deposits		
Corporate customers	2,771,827	2,477,710
Individual customers	6,849,486	6,062,167
Pledged deposits	(1) 367,068	299,962
Others	158,428	158,231
Subtotal	21,648,729	20,107,372
Accrued interest	277,845	265,529
Total	21,926,574	20,372,901

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

	30 June 2021	31 December 2020
Guarantee and letters of guarantee	82,717	73,606
Trade finance	146,680	100,822
Bank acceptances	59,114	48,718
Letters of credit	32,086	39,309
Others	46,471	37,507
Total	367,068	299,962

(2) As at 30 June 2021 and 31 December 2020, 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 2021, due to customers measured at amortized cost of the Group amounted to RMB21,646,142 million (31 December 2020: RMB20,031,232 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB280,432 million (31 December 2020: RMB341,669 million).

33 DEBT SECURITIES ISSUED

	30 June 2021	31 December 2020
Bonds issued	(1) 425,591	430,703
Certificates of deposit issued	(2) 265,622	252,569
Other debt securities issued	(3) 745,538	679,261
Subtotal	1,436,751	1,362,533
Accrued Interest	5,533	9,312
Total	1,442,284	1,371,845

As at 30 June 2021 and 31 December 2020, there was no default related to any debt securities issued by the Group.

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33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued

		30 June 2021	31 December 2020
1.25% USD fixed rate green bonds maturing in January 2026	(i)	1,938	–
5.30% subordinated fixed rate bonds maturing in June 2026	(ii)	–	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
4.30% Tier-two capital fixed rate bonds maturing in April 2029	(vii)	40,000	40,000
3.10% Tier-two capital fixed rate bonds maturing in April 2030	(viii)	40,000	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)	61,571	42,643
1.99% fixed rate financial bond maturing in April 2023	(xii)	20,000	20,000
3.38% fixed rate financial bond maturing in April 2024	(xiii)	20,000	–
3.68% CNY fixed rate green bonds maturing in June 2022	(xiv)	2,720	2,720
3.90% fixed rate financial bond maturing in November 2023	(xv)	1,650	1,650
3.30% fixed rate financial bond maturing in September 2022	(xvi)	3,870	3,870
2.68% fixed rate financial bond maturing in March 2023	(xvii)	4,000	4,000
4.70% fixed rate financial bond maturing in August 2021	(xviii)	2,420	2,410
3.40% fixed rate financial bond maturing in September 2024	(xix)	2,000	2,000
2.75% fixed rate financial bond maturing in March 2025	(xx)	6,000	6,000
3.80% fixed rate financial bond maturing in June 2025	(xxi)	500	500
4.10% fixed rate financial bond maturing in April 2026	(xxii)	1,100	–
3.80% fixed rate financial bond maturing in June 2026	(xxiii)	3,000	–
5.55% fixed rate capital replenishment bond maturing in March 2028	(xxiv)	3,500	3,500
3.60% fixed rate capital replenishment bond maturing in March 2030	(xxv)	1,500	1,500
Total nominal value		425,769	430,793
Less: Unamortized issuance cost and discounts		(178)	(90)
Total		425,591	430,703

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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 January 2021 have a tenor of 5 years, with a fixed coupon rate 1.25%, 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 5.30%, payable annually. The Bank has redeemed all of the bonds at face value on 6 June 2021.*
- (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 5 May 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 6 May 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.*

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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 institutions of the Group and are measured at amortized cost. The details of medium term notes issued were as follows:

As at 30 June 2021			Outstanding balance
	Maturity dates ranging from	Coupon rates (%)	
Fixed rate RMB MTNs	May 2023 to April 2024	2.60–2.70	1,475
Fixed rate HKD MTNs	October 2022 to June 2023	0.50–1.00	8,735
Fixed rate USD MTNs	September 2021 to June 2026	0.70–3.88	31,979
Floating rate USD MTNs	September 2021 to November 2023	3 months USD Libor +66 to 85 bps	19,382
Total			61,571

As at 31 December 2020			Outstanding balance
	Maturity dates ranging from	Coupon rates (%)	
Fixed rate HKD MTNs	October 2022	1.00	4,208
Fixed rate USD MTNs	June 2021 to October 2025	1.00–3.88	18,871
Floating rate USD MTNs	September 2021 to November 2023	3 months USD Libor +68 to 85 bps	19,564
Total			42,643

- (xii) 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.
- (xiii) The fixed rate financial bonds issued by ABC in April 2021 have a tenor of 3 years, with a fixed coupon rate of 3.38%, payable annually.
- (xiv) The CNY green bonds issued by ABC Financial Leasing Co., Ltd. in June 2019 have a tenor of 3 years, with a fixed coupon rate 3.68%, payable annually.
- (xv) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2020 have a tenor of 3 years, with a fixed coupon rate of 3.90%, payable annually.

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33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued):

- (xvi) *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.*
- (xvii) *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.*
- (xviii) *The fixed rate financial bonds issued by ABC International Holdings Limited in August 2018 have a tenor of 3 years, with a fixed coupon rate of 4.70%, payable annually.*
- (xix) *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.*
- (xx) *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.*
- (xxi) *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.*
- (xxii) *The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in April 2021 have a tenor of 5 years, with a fixed coupon rate of 4.10%, payable annually.*
- (xxiii) *The fixed rate financial bonds issued by ABCI Investment Beijing Corporation Limited in June 2021 have a tenor of 5 years, with a fixed coupon rate of 3.80%, payable annually.*
- (xxiv) *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.*
- (xxv) *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.*

(2) As at 30 June 2021, the certificates of deposit were issued by the overseas institutions of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from one month to seven years, with interest rates ranging from -0.02% to 3.58% per annum. (As at 31 December 2020, the terms of the certificates of deposit ranged from one month to seven years, with interest rates ranging from -0.02% to 3.66% per annum.)

(3) Other debt securities issued by the Group and Bank are commercial papers and interbank certificates of deposit.

- (i) *As at 30 June 2021, the commercial papers were issued by the Overseas Institutions of the Group and were measured at amortized cost. The terms of the commercial papers ranged from one month to one year, with interest rates ranging from 0.00% to 0.79% per annum (As at 31 December 2020, the terms of the commercial papers ranged from three months to one year, with interest rates ranging from 0.00% to 2.14% per annum.)*
- (ii) *As at 30 June 2021, the interbank certificates of deposit were issued by the Bank's Head Office and London Branch. The terms of the interbank certificates of deposit ranged from one month to one year, with interest rates ranging from 0.00% to 0.72% per annum (As at 31 December 2020, the terms of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from 1.58% to 3.35% per annum.)*

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34 OTHER LIABILITIES

		30 June 2021	31 December 2020
Clearing and settlement		144,072	168,852
Insurance liabilities		101,971	89,651
Staff costs payable	(1)	45,472	56,811
Provision	(2)	45,161	42,100
Income taxes payable		28,591	54,340
VAT and other taxes payable		10,653	10,235
Lease liabilities		9,858	9,824
Dormant accounts		4,963	5,168
Amount payable to the MOF		1,085	711
Others		80,634	86,898
Total		472,460	524,590

(1) Staff costs payable

		30 June 2021	31 December 2020
Short-term employee benefits	(i)	43,401	47,380
Defined contribution benefits	(ii)	751	7,880
Early retirement benefits	(iii)	1,320	1,551
Total		45,472	56,811

(i) Short-term employee benefits

		Six months ended 30 June 2021			30 June
		1 January	Increase	Decrease	
Salaries, bonuses, allowance and subsidies	(a)	35,010	40,754	(46,042)	29,722
Housing funds	(a)	108	4,580	(4,504)	184
Social insurance including:	(a)	385	2,953	(3,008)	330
— Medical insurance		367	2,765	(2,829)	303
— Maternity insurance		9	111	(105)	15
— Employment injury insurance		9	77	(74)	12
Labor union fees and staff education expenses		8,039	1,805	(782)	9,062
Others		3,838	3,657	(3,392)	4,103
Total		47,380	53,749	(57,728)	43,401

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34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits (Continued)

		Year ended 31 December 2020			31 December
		1 January	Increase	Decrease	
Salaries, bonuses, allowance and subsidies	(a)	31,289	81,087	(77,366)	35,010
Housing funds	(a)	184	8,933	(9,009)	108
Social insurance including:	(a)	332	4,713	(4,660)	385
— Medical insurance		311	4,398	(4,342)	367
— Maternity insurance		13	205	(209)	9
— Employment injury insurance		8	110	(109)	9
Labor union fees and staff education expenses		7,049	3,613	(2,623)	8,039
Others		4,276	10,612	(11,050)	3,838
Total		43,130	108,958	(104,708)	47,380

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

(ii) Defined contribution benefits

	Six months ended 30 June 2021			
	1 January	Increase	Decrease	30 June
Basic pensions	619	5,363	(5,367)	615
Unemployment insurance	40	179	(175)	44
Annuity Scheme	7,221	3,018	(10,147)	92
Total	7,880	8,560	(15,689)	751

	Year ended 31 December 2020			31 December
	1 January	Increase	Decrease	
Basic pensions	452	8,110	(7,943)	619
Unemployment insurance	34	249	(243)	40
Annuity Scheme	4,722	6,367	(3,868)	7,221
Total	5,208	14,726	(12,054)	7,880

The defined contribution benefits are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy.

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34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(iii) Early retirement benefits

	Six months ended 30 June 2021			
	1 January	Increase	Decrease	30 June
Early retirement benefits	1,551	(3)	(228)	1,320

	Year ended 31 December 2020			
	1 January	Increase	Decrease	31 December
Early retirement benefits	2,133	5	(587)	1,551

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

	30 June 2021	31 December 2020
Discount rate	2.70%	2.90%
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 (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.

(2) Provision

	30 June 2021	31 December 2020
Loan commitments and financial guarantee contracts	39,073	35,756
Litigation provision	5,311	5,560
Others	777	784
Total	45,161	42,100

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35 ORDINARY SHARES

	30 June 2021	
	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 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

- (1) A shares refer to the ordinary shares listed in Chinese mainland. 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 2021 and 31 December 2020, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the 25,189 million ordinary shares issued through the private placement in June 2018.

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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⁾	6.00% 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⁾	5.50% 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
Perpetual bonds						
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	N/A
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	N/A
Undated tier 1 capital bonds in 2020 — first tranche ⁽²⁾	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	N/A
Undated tier 1 capital bonds in 2020 — second tranche ⁽²⁾	4.50% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	350	35,000	No maturity date	N/A

(1) The Bank was authorized to issue no more than 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 2021. The first tranche of preference shares bears a dividend rate of 6.00% 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.

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36 OTHER EQUITY INSTRUMENTS (Continued)

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 2021. The second tranche of preference shares bears a dividend rate of 5.50% 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.

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(1) of the Guidance of the CBIRC on Amendments to Commercial Banks' Innovation on Capital Instruments (CBIRC No. 42 [2019]) 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 25,189 million 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.

The carrying amount, net of direct issuance expenses, was RMB79,899 million as at 30 June 2021 (31 December 2020: RMB79,899 million).

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36 OTHER EQUITY INSTRUMENTS (Continued)

- (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 in 2019.*

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%.

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 in 2020.

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 Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 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 4.50%.

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.

The carrying amount, net of direct issuance expenses, was RMB239,976 million as at 30 June 2021 (31 December 2020: RMB239,976 million).

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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.

38 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2021		
	Gross carrying amount	Tax effect	Net effect
31 December 2020	34,773	(8,786)	25,987
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	(1,316)	375	(941)
— Amount removed from other comprehensive income and recognized in profit or loss	(124)	31	(93)
Fair value changes on equity instruments at fair value through other comprehensive income			
— Amount of gains recognized directly in other comprehensive income	186	(46)	140
30 June 2021	33,519	(8,426)	25,093
	Year ended 31 December 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 through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	(4,238)	1,188	(3,050)
— Amount removed from other comprehensive income and recognized in profit or loss	(750)	188	(562)
Fair value changes on equity instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	(114)	29	(85)
31 December 2020	34,773	(8,786)	25,987

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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 2021, the Group transferred RMB40,155 million (six months ended 30 June 2020: RMB34,809 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB39,217 million (six months ended 30 June 2020: RMB34,211 million) related to the appropriation proposed for the year ended 31 December 2020 which was approved at the annual general meeting held on 27 May 2021.

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 2021	30 June 2020
Cash	75,177	83,032
Balance with central banks	51,748	8,616
Deposits with banks and other financial institutions	69,414	142,504
Placements with and loans to banks and other financial institutions	135,794	187,941
Financial assets held under resale agreements	841,290	563,786
Total	1,173,423	985,879

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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 are 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

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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 2021										
External interest income	156,662	79,972	56,405	47,128	54,140	77,557	11,557	10,050	-	493,471
External interest expense	(30,527)	(45,641)	(24,235)	(34,625)	(28,596)	(32,325)	(9,930)	(4,235)	-	(210,114)
Inter-segment interest (expense)/income	(115,428)	26,814	10,431	28,654	21,583	19,602	9,022	(678)	-	-
Net interest income	10,707	61,145	42,601	41,157	47,127	64,834	10,649	5,137	-	283,357
Fee and commission income	20,325	9,326	7,359	5,737	5,580	7,379	1,225	556	-	57,487
Fee and commission expense	(1,735)	(1,682)	(1,310)	(1,068)	(1,414)	(1,450)	(332)	(346)	-	(9,337)
Net fee and commission income	18,590	7,644	6,049	4,669	4,166	5,929	893	210	-	48,150
Net trading gain	4,429	303	82	63	82	36	18	3,346	-	8,359
Net gain/(loss) on financial investments	5,052	(3,337)	(750)	(263)	(562)	(170)	(162)	1,624	-	1,432
Net gain on derecognition of financial assets measured at amortized cost	-	-	-	-	-	-	-	1	-	1
Other operating income	845	537	316	213	293	828	60	21,863	-	24,955
Operating income	39,623	66,292	48,298	45,839	51,106	71,457	11,458	32,181	-	366,254
Operating expenses	(8,228)	(15,651)	(11,603)	(12,899)	(15,515)	(21,478)	(5,755)	(25,562)	-	(116,691)
Credit impairment losses	(760)	(22,075)	(13,251)	(16,958)	(23,766)	(17,336)	(1,957)	(35)	-	(96,138)
Impairment losses on other assets	-	-	-	-	-	4	(7)	-	-	(3)
Operating profit	30,635	28,566	23,444	15,982	11,825	32,647	3,739	6,584	-	153,422
Share of results of associates and joint ventures	26	-	-	-	-	-	-	90	-	116
Profit before tax	30,661	28,566	23,444	15,982	11,825	32,647	3,739	6,674	-	153,538
Income tax expense										(30,705)
Profit for the period										122,833
Depreciation and amortization included in operating expenses	817	1,595	1,244	1,538	1,534	2,079	588	268	-	9,663
Capital expenditure	1,127	691	524	1,721	1,167	1,376	118	1,212	-	7,936
As at 30 June 2021										
Segment assets	5,296,598	6,211,335	3,812,330	4,994,624	4,178,483	5,550,308	1,248,755	1,296,314	(4,070,992)	28,517,755
Including: Investment in associates and joint ventures	1,037	-	-	-	-	-	-	8,083	-	9,120
Unallocated assets										134,608
Total assets										28,652,363
Including: Non-current assets (1)	13,517	30,401	18,467	29,302	27,236	40,933	10,649	27,587	-	198,092
Segment liabilities	(2,921,691)	(6,302,145)	(3,831,716)	(5,040,479)	(4,229,743)	(5,607,523)	(1,260,512)	(1,238,239)	4,070,992	(26,361,056)
Unallocated liabilities										(28,940)
Total liabilities										(26,389,996)
Loan commitments and financial guarantee contracts	21,552	578,471	379,085	408,074	337,503	342,028	80,411	98,543	-	2,245,667

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(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	145,847	71,421	51,232	44,948	49,128	71,759	11,132	12,964	-	458,431
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	(1,940)	58,151	44,345	42,214	46,312	63,868	10,711	3,348	-	267,009
Fee and commission income	14,737	9,378	7,357	5,868	5,200	7,505	1,238	(13)	-	51,270
Fee and commission expense	(2,187)	(1,086)	(1,052)	(887)	(909)	(1,110)	(215)	414	-	(7,032)
Net fee and commission income	12,550	8,292	6,305	4,981	4,291	6,395	1,023	401	-	44,238
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 31 December 2020										
Segment assets	5,956,432	5,698,994	3,443,268	4,676,597	3,917,314	5,231,854	1,175,767	1,207,010	(4,235,544)	27,071,692
Including: Investment in associates and joint ventures	210	-	-	-	-	-	-	8,655	-	8,865
Unallocated assets										133,355
Total assets										27,205,047
Including: Non-current assets (1)	12,523	31,128	18,944	28,896	27,810	42,014	11,127	27,410	-	199,852
Segment liabilities	(3,726,048)	(5,748,167)	(3,442,287)	(4,710,246)	(3,940,522)	(5,264,694)	(1,186,993)	(1,156,214)	4,235,544	(24,939,627)
Unallocated liabilities										(54,674)
Total liabilities										(24,994,301)
Loan commitments and financial guarantee contracts	32,779	970,556	558,971	496,243	422,731	523,658	77,342	87,024	-	3,169,304

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

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(Amounts in millions of Renminbi, unless otherwise stated)

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.

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For the six months ended 30 June 2021

(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 2021					
External interest income	194,471	142,988	152,071	3,941	493,471
External interest expense	(68,231)	(109,631)	(30,491)	(1,761)	(210,114)
Inter-segment interest (expense)/income	(3,079)	89,869	(86,790)	-	-
Net interest income	123,161	123,226	34,790	2,180	283,357
Fee and commission income	36,014	19,135	869	1,469	57,487
Fee and commission expense	(5,888)	(3,281)	(3)	(165)	(9,337)
Net fee and commission income	30,126	15,854	866	1,304	48,150
Net trading gain	-	-	5,753	2,606	8,359
Net (loss)/gain on financial investments	(4,442)	(1,503)	5,121	2,256	1,432
Net gain on derecognition of financial assets measured at amortized cost	-	-	1	-	1
Other operating income	709	649	113	23,484	24,955
Operating income	149,554	138,226	46,644	31,830	366,254
Operating expenses	(33,001)	(45,840)	(12,802)	(25,048)	(116,691)
Credit impairment losses	(60,229)	(35,138)	(704)	(67)	(96,138)
Impairment losses on other assets	(3)	-	-	-	(3)
Operating profit	56,321	57,248	33,138	6,715	153,422
Share of results of associates and joint ventures	-	-	-	116	116
Profit before tax	56,321	57,248	33,138	6,831	153,538
Income tax expense					(30,705)
Profit for the period					122,833
Depreciation and amortization included in operating expenses	2,223	5,416	1,801	223	9,663
Capital expenditure	1,281	3,792	1,417	1,446	7,936
As at 30 June 2021					
Segment assets	9,395,551	6,836,494	11,784,472	501,238	28,517,755
Including: Investment in associates and joint ventures	-	-	-	9,120	9,120
Unallocated assets					134,608
Total assets					28,652,363
Segment liabilities	(9,296,581)	(13,882,926)	(2,867,472)	(314,077)	(26,361,056)
Unallocated liabilities					(28,940)
Total liabilities					(26,389,996)
Loan commitments and financial guarantee contracts	1,331,244	914,423	-	-	2,245,667

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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	135,272	143,877	3,193	458,431
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	124,568	30,708	1,718	267,009
Fee and commission income	32,397	17,760	283	830	51,270
Fee and commission expense	(4,134)	(2,867)	(3)	(28)	(7,032)
Net fee and commission income	28,263	14,893	280	802	44,238
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	135,242	138,115	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	41,035	68,682	17,927	4,913	132,557
Share of results of associates and joint ventures	–	–	–	(2)	(2)
Profit before tax	41,035	68,682	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 31 December 2020					
Segment assets	8,618,358	6,372,074	11,586,282	494,978	27,071,692
Including: Investment in associates and joint ventures	–	–	–	8,865	8,865
Unallocated assets					133,355
Total assets					27,205,047
Segment liabilities	(8,590,691)	(12,926,172)	(3,129,836)	(292,928)	(24,939,627)
Unallocated liabilities					(54,674)
Total liabilities					(24,994,301)
Loan commitments and financial guarantee contracts	2,146,637	1,022,667	–	–	3,169,304

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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.

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(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 2021				
External interest income	124,639	368,832	–	493,471
External interest expense	(68,445)	(141,669)	–	(210,114)
Inter-segment interest income/(expense)	68,026	(68,026)	–	–
Net interest income	124,220	159,137	–	283,357
Fee and commission income	22,043	35,444	–	57,487
Fee and commission expense	(3,702)	(5,635)	–	(9,337)
Net fee and commission income	18,341	29,809	–	48,150
Net trading gain	330	8,029	–	8,359
Net (loss)/gain on financial investments	(2,058)	3,490	–	1,432
Net gain on derecognition of financial assets measured at amortized cost	–	1	–	1
Other operating income	2,397	22,558	–	24,955
Operating income	143,230	223,024	–	366,254
Operating expenses	(42,544)	(74,147)	–	(116,691)
Credit impairment losses	(40,216)	(55,922)	–	(96,138)
Impairment losses on other assets	(5)	2	–	(3)
Operating profit	60,465	92,957	–	153,422
Share of results of associates and joint ventures	–	116	–	116
Profit before tax	60,465	93,073	–	153,538
Income tax expense				(30,705)
Profit for the period				122,833
Depreciation and amortization included in operating expenses	3,753	5,910	–	9,663
Capital expenditure	2,379	5,557	–	7,936
As at 30 June 2021				
Segment assets	10,328,540	18,348,313	(159,098)	28,517,755
Including: Investment in associates and joint ventures	–	9,120	–	9,120
Unallocated assets				134,608
Total assets				28,652,363
Segment liabilities	(9,597,510)	(16,922,644)	159,098	(26,361,056)
Unallocated liabilities				(28,940)
Total liabilities				(26,389,996)
Loan commitments and financial guarantee contracts	714,331	1,531,336	–	2,245,667

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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	111,785	346,646	–	458,431
External interest expense	(58,826)	(132,596)	–	(191,422)
Inter-segment interest income/(expense)	58,701	(58,701)	–	–
Net interest income	111,660	155,349	–	267,009
Fee and commission income	20,087	31,183	–	51,270
Fee and commission expense	(2,696)	(4,336)	–	(7,032)
Net fee and commission income	17,391	26,847	–	44,238
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 31 December 2020				
Segment assets	9,638,372	17,570,020	(136,700)	27,071,692
Including: Investment in associates and joint ventures	–	8,865	–	8,865
Unallocated assets				133,355
Total assets				27,205,047
Segment liabilities	(8,942,453)	(16,133,874)	136,700	(24,939,627)
Unallocated liabilities				(54,674)
Total liabilities				(24,994,301)
Loan commitments and financial guarantee contracts	970,680	2,198,624	–	3,169,304

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43 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2021, the MOF directly owned 35.29% (31 December 2020: 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.

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

	30 June 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Treasury bonds and special government bond	659,294	8.28%	754,668	9.65%
Receivable from the MOF	320,605	4.02%	316,656	4.05%
Liabilities				
Due to customers	6,505	0.03%	8,385	0.04%
Other liabilities				
— redemption of treasury bonds on behalf of the MOF	4	0.00%	4	0.00%
— amount payable to the MOF	1,085	0.23%	711	0.14%

	Six months ended 30 June		Six months ended 30 June	
	2021	Ratio to similar transactions	2020	Ratio to similar transactions
Interest income	14,641	2.97%	14,293	3.12%
Interest expense	(29)	0.01%	(58)	0.03%
Fee and commission income	470	0.82%	—	—
Net trading gain	122	1.46%	121	1.64%

Interest rate ranges for transactions with the MOF for the six months ended 30 June 2021 are as follows:

	Six months ended 30 June	
	2021	2020
	%	%
Treasury bonds and receivable from the MOF	0.00–9.00	0.13–9.00
Due to customers	0.01–1.61	0.0001–2.81

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

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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 2021, Huijin directly owned 40.03% (31 December 2020: 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. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	30 June 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	3,952	0.02%	3,951	0.03%
Financial investments	57,619	0.72%	67,509	0.86%
Liabilities				
Due to customers	45,864	0.21%	5,447	0.03%

	Six months ended 30 June			
	2021		2020	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	1,066	0.22%	1,606	0.35%
Interest expense	(172)	0.08%	(29)	0.02%
Net trading gain	6	0.07%	22	0.30%

Interest rate ranges for transactions with Huijin for the six months ended 30 June 2021 are as follows:

	Six months ended 30 June	
	2021	2020
	%	%
Loans and advances to customers	3.15–3.55	3.92
Financial investments	2.00–5.15	2.15–5.15
Due to customers	1.495–2.10	1.38–2.25

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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 Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Corresponding balances with these banks and financial institutions were as follows:

	30 June 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Deposits with banks and other financial institutions	107,152	26.42%	89,726	20.67%
Placements with and loans to banks and other financial institutions	84,468	18.77%	100,125	18.31%
Derivative financial assets	12,694	24.31%	17,137	27.67%
Financial assets held under resale agreements	47,944	5.46%	27,349	3.35%
Loans and advances to customers	21,985	0.14%	64,047	0.44%
Financial investments	750,253	9.42%	731,695	9.35%
Liabilities				
Deposits from banks and other financial institutions	89,307	6.32%	92,890	6.66%
Placements from banks and other financial institutions	86,320	24.67%	147,049	37.64%
Derivative financial liabilities	6,735	17.66%	11,259	17.25%
Financial assets sold under repurchase agreements	2,285	8.42%	48,444	44.36%
Due to customers	2,324	0.01%	3,921	0.02%
Equity				
Other equity instruments	2,000	0.63%	2,000	0.63%
Off-balance sheet items				
Non-principal guaranteed wealth management products issued by the Bank	2,000	0.12%	3,000	0.15%

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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 at 30 June 2021 and 31 December 2020, 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 priced based on market prices and conducted on normal commercial terms.

	30 June 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Financial assets held under resale agreements	19,706	2.24%	33,966	4.16%
Liabilities				
Due to customers	13,264	0.06%	51,827	0.25%
Equity				
Other equity instruments	1,250	0.39%	1,250	0.39%

	Six months ended 30 June			
	2021		2020	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	5	0.00%	–	–
Interest expense	(270)	0.13%	(1,220)	0.64%

Interest rate ranges for transactions with SSF for the six months ended 30 June 2021 are as follows:

	Six months ended 30 June	
	2021	2020
	%	%
Financial assets held under resale agreements	2.30–3.80	N/A
Due to customers	3.9875–4.25	0.30–5.20
Other equity instruments	4.84	4.84

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43 RELATED PARTY TRANSACTIONS (Continued)

(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.

(5) The Bank and its subsidiaries

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	30 June 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Placements with and loans to banks and other financial institutions	85,141	18.92%	87,643	16.02%
Financial assets held under resale agreements	–	–	1,786	0.22%
Financial investments	3,865	0.05%	6,230	0.08%
Other assets	21	0.01%	24	0.02%
Liabilities				
Deposits from banks and other financial institutions	14,490	1.03%	18,657	1.34%
Due to customers	1,955	0.01%	1,624	0.01%
Other liabilities	741	0.16%	753	0.14%
Off-balance sheet items				
Letters of guarantee issued and guarantees	2,082	0.79%	8,482	3.21%
Non-principal guaranteed wealth management products issued by the Bank	317	0.02%	331	0.02%

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43 RELATED PARTY TRANSACTIONS (Continued)

(5) The Bank and its subsidiaries (Continued)

	Six months ended 30 June			
	2021		2020	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	736	0.15%	830	0.18%
Net gain on financial investments	0	0.00%	–	–
Fee and commission income	1,275	2.22%	1,080	2.11%
Other operating income	0	0.00%	5	0.02%
Interest expense	(182)	0.09%	(206)	0.11%
Operating expense	(88)	0.08%	(101)	0.09%
Fee and commission expense	(194)	2.08%	(479)	6.81%

	Six months ended 30 June	
	2021 %	2020 %
Placements with and loans to banks and other financial institutions	1.22–4.65	0.53–3.60
Financial assets held under resale agreements	N/A	0.93–2.85
Financial investments	0.00–4.70	3.30–4.70
Deposits from banks and other financial institutions	0.00–4.13	0.00–4.13
Due to customers	0.30–3.85	0.30–3.85

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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. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	30 June 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits from banks and other financial institutions	31	0.00%	–	–

	Six months ended 30 June		2020	
	2021	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest expense	0	0.00%	–	–

	Six months ended 30 June	
	2021	2020
Deposits from banks and other financial institutions	0.00–0.72	N/A
Placements with and loans to banks and other financial institutions	N/A	2.00–2.44

(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 2021, the balance of loans and advances to above related parties is RMB10.63 million (31 December 2020: RMB6.85 million).

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43 RELATED PARTY TRANSACTIONS (Continued)

(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 2021, the balance of such loan amounted to RMB12.27 million (31 December 2020: RMB12.87 million).

As at 30 June 2021, the Bank's balance of credit related transactions to the related natural persons, and entities that are controlled directly, indirectly or jointly, or significantly influenced by related natural persons as defined in the Administrative Measures on Affiliated Transactions between Commercial Banks and their Insiders or shareholders by CBIRC totalled RMB2,739 million (31 December 2020: RMB3,064 million), and the balance of non credit transaction which are mainly WMPs totalled RMB9 million (31 December 2020: nil).

(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 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Liabilities				
Deposits from Annuity Scheme	5,937	0.03%	4,326	0.02%
Equity				
Other equity instruments	7,500	2.34%	7,750	2.42%

	Six months ended 30 June		Six months ended 30 June	
	2021	Ratio to similar transactions	2020	Ratio to similar transactions
Interest expense	(102)	0.05%	(85)	0.04%

Interest rate range for transactions with the Annuity Scheme for the six months ended 30 June 2021 is as follows:

	Six months ended 30 June	
	2021	2020
	%	%
Deposits from Annuity Scheme	0.00–5.00	0.00–5.00
Other equity instruments	4.84–5.32	4.84–5.32

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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 2021		As at 31 December 2020	
	Related party transactions	Proportion	Related party transactions	Proportion
Deposits with banks and other financial institutions	107,152	26.42%	89,726	20.67%
Placements with and loans to banks and other financial institutions	84,468	18.77%	100,125	18.31%
Derivative financial assets	12,694	24.31%	17,137	27.67%
Financial assets held under resale agreements	67,650	7.70%	61,315	7.51%
Loans and advances to customers	25,937	0.16%	67,998	0.47%
Financial investments	1,787,771	22.44%	1,870,528	23.91%
Deposits from banks and other financial institutions	89,338	6.33%	92,890	6.66%
Placements from banks and other financial institutions	86,320	24.67%	147,049	37.64%
Derivative financial liabilities	6,735	17.66%	11,259	17.25%
Financial assets sold under repurchase agreements	2,285	8.42%	48,444	44.36%
Due to customers	73,894	0.34%	73,906	0.36%
Other liabilities	1,089	0.23%	715	0.14%
Other equity instruments	10,750	3.36%	11,000	3.44%
Non-principal guaranteed wealth management products issued by the Bank	2,000	0.12%	3,000	0.15%

Transaction amount

	Six months ended 30 June			
	2021		2020	
	Related party transactions	Proportion	Related party transactions	Proportion
Interest income	15,712	3.18%	15,899	3.47%
Interest expense	(573)	0.27%	(1,392)	0.73%
Net trading gain	128	1.53%	143	1.94%
Fee and commission income	470	0.82%	—	—

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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 2021, the total assets of these consolidated structured entities were RMB164,445 million (31 December 2020: RMB241,504 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 distributes profits to investors based on operation.

As at 30 June 2021, the total assets invested by these WMPs amounted to RMB2,146,032 million (31 December 2020: RMB2,170,621 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,612,751 million (31 December 2020: RMB1,949,722 million). For the six months ended 30 June 2021, the Group's interest in these WMPs included net fee and commission income of RMB3,072 million (six months ended 30 June 2020: RMB2,933 million) and net interest income of RMB374 million (six months ended 30 June 2020: RMB428 million), which related to placements and repo transactions entered into by the Group with these WMP vehicles.

The Group has entered into placements and repo transactions at market interest rates with these WMPs. The average balance for the six months ended 30 June 2021 and the outstanding balance as at 30 June 2021 of these transactions were RMB25,642 million, weighted average outstanding period of 5.92 days (six months ended 30 June 2020: RMB31,961 million and 5.91 days) and RMB91,216 million (31 December 2020: RMB143,545 million), respectively. The Group was under no obligation to enter into these transactions. As at 30 June 2021 and 31 December 2020, 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 2021 and the year ended 31 December 2020. The Group was not required to absorb any losses incurred by WMPs. During the period ended 30 June 2021 and the year ended 31 December 2020, 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.

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44 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities (Continued)

Unconsolidated structured entities sponsored and managed by the Group (Continued)

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 2021, the total assets of these products amounted to RMB480,883 million (31 December 2020: RMB440,726 million). For the six months ended 30 June 2021, the Group's interest in these products mainly included net fee and commission income of RMB743 million (six months ended 30 June 2020: RMB629 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, wealth management products, funds, trust plans, asset-backed securities and debt investment plans, etc. As at 30 June 2021, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB88,796 million (31 December 2020: RMB92,193 million), included under the financial assets at fair value through profit or loss, debt instrument investments at amortized cost and other debt instrument and other equity investments at fair value through other comprehensive income categories in the consolidated statement of financial position. As at 30 June 2021 and 31 December 2020, the information on the size of total assets of these unconsolidated structured entities was not readily available from the public domain.

45 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as demandants/defendants in certain lawsuits arising from their normal business operations. As at 30 June 2021, provisions of RMB5,311 million were made by the Group (31 December 2020: RMB5,560 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.

As at 30 June 2021, the Bank and its New York Branch are taking affirmative actions to respond to other requirements under these two orders. 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 such, the Group did not accrue any further provision over this matter.

Capital commitments

	30 June 2021	31 December 2020
Contracted but not provided for	2,547	2,507

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45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Loan commitments and financial guarantee contracts

	30 June 2021	31 December 2020
Loan commitments		
— With an original maturity of less than 1 year	83,925	207,288
— With an original maturity of 1 year or above	568,882	1,409,990
Subtotal	652,807	1,617,278
Bank acceptances	388,148	429,841
Credit card commitments	715,020	695,183
Guarantee and letters of guarantee	296,119	264,646
Letters of credit	193,573	162,356
Total	2,245,667	3,169,304

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 2021 and 31 December 2020, credit risk weighted amount for credit commitments was measured under the Internal Ratings Based Approach.

	30 June 2021	31 December 2020
Credit risk weighted amount for credit commitments	1,086,518	1,240,078

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 2021	31 December 2020
Debt securities	28,785	114,573
Bills	742	1,327
Total	29,527	115,900

As at 30 June 2021, the financial assets sold under repurchase agreements (Note 31) by the Group are primarily due within 1 year 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.

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45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral (Continued)

Collateral accepted (Continued)

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 2021 amounted to RMB1,007,921 million in total (31 December 2020: RMB1,026,931 million).

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 2021 and 31 December 2020.

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 2021, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB65,270 million (31 December 2020: RMB67,622 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.

Commitment on security underwriting

As at 30 June 2021, the unexpired securities underwriting obligations of the Group amounted to RMB130 million (31 December 2020: nil).

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 derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

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46 TRANSFERRED FINANCIAL ASSETS (Continued)

Securitization transactions (Continued)

As at 30 June 2021, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB114,256 million (31 December 2020: RMB69,291 million). RMB17,307 million of this balance (31 December 2020: RMB14,130 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 RMB96,949 million (31 December 2020: 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 2021, the Group continued to recognize assets of RMB13,785 million (31 December 2020: RMB6,564 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

For the six months ended 30 June 2021, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB8,171 million (six months ended 30 June 2020: RMB13,486 million). The Group concluded that these transferred assets were 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 2021, of these collateral pledged disclosed in Note 45 Contingent Liabilities and Commitments — Collateral, RMB2,276 million (31 December 2020: RMB4,050 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 2021, the carrying amount of debt securities lent to counterparties was RMB3,080 million (31 December 2020: RMB17,150 million).

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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 advances, treasury operations and off-balance sheet related credit risk exposures.

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

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

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Credit risk management (Continued)

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. Considering COVID-19 prevention and collection and disposal of non-performing loans, the Group accelerated the disposal of non-performing loans to ensure the stability of assets quality.

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.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and fair value through other comprehensive income, 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 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 assets
- Forward-looking information
- Estimation of future cash flows for Stage III wholesale credit assets

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL (Continued)

Segmentation of portfolio sharing similar credit risk characteristics

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 usage 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 relevant 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.

The parameters are defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12-month 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 ("12-month 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 reporting 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 reporting 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.

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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 accounting standards, 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 (e.g. external "investment grade" rating) is consistent with the globally accepted definition for low credit risk.

Definition of credit-impaired financial assets

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.

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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 macro-economic indicators that affect the credit risk and ECL of various portfolio. Macro-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 analysis to determine the correlation between these economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 30 June 2021, the forecast value of 2021 GDP growth rate under each scenario is as follows: 8.80% under base scenario, 11.12% under upside scenario, and 6.48% under downside scenario.

Based on statistical analysis 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.

Maximum exposure to credit risk without taking account of 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 account of 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 advances.

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

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

	30 June 2021	31 December 2020
Balances with central banks	2,288,766	2,360,994
Deposits with banks and other financial institutions	405,634	434,185
Placements with and loans to banks and other financial institutions	449,997	546,948
Derivative financial assets	52,208	61,937
Financial assets held under resale agreements	878,226	816,206
Loans and advances to customers	15,860,306	14,552,433
Financial investments		
Financial asset at fair value through profit or loss	348,386	469,308
Debt instrument investments at amortized cost	6,008,417	5,684,220
Other debt instrument investments at fair value through other comprehensive income	1,482,765	1,551,439
Other financial assets	149,601	101,562
Subtotal	27,924,306	26,579,232
Loan commitments and financial guarantee contracts	2,206,594	3,133,548
Total	30,130,900	29,712,780

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.

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.

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

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 2021		31 December 2020	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	323,423	3.3	350,679	3.9
Yangtze River Delta	2,266,383	23.3	1,996,025	22.4
Pearl River Delta	1,287,564	13.2	1,139,535	12.8
Bohai Rim	1,400,410	14.4	1,302,504	14.6
Central China	1,414,099	14.5	1,302,925	14.6
Western China	2,217,820	22.9	2,088,255	23.4
Northeastern China	361,108	3.7	344,039	3.9
Overseas and Others	458,976	4.7	393,322	4.4
Subtotal	9,729,783	100.0	8,917,284	100.0
Personal loans and advances				
Head Office	50	0.0	50	0.0
Yangtze River Delta	1,602,083	23.6	1,484,067	23.9
Pearl River Delta	1,434,560	21.2	1,331,142	21.4
Bohai Rim	981,751	14.5	912,175	14.7
Central China	1,111,572	16.4	997,845	16.0
Western China	1,399,215	20.7	1,265,565	20.4
Northeastern China	222,650	3.3	207,899	3.3
Overseas and Others	19,047	0.3	20,094	0.3
Subtotal	6,770,928	100.0	6,218,837	100.0
Gross loans and advances to customers	16,500,711		15,136,121	

(i) *The below information does not include accrued interests of loans and advances to customers.*

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(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 2021		31 December 2020	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Transportation, storage and postal services	2,072,510	21.3	1,915,191	21.5
Manufacturing	1,641,267	16.9	1,450,816	16.3
Leasing and commercial services	1,451,337	14.9	1,261,700	14.1
Production and supply of electricity, heating, gas and water	1,033,023	10.6	976,377	11.0
Real estate	904,724	9.3	798,017	8.9
Water, environment and public utilities management	698,772	7.2	621,772	7.0
Retail and wholesale	521,092	5.4	469,831	5.3
Finance	432,766	4.4	556,342	6.2
Construction	303,756	3.1	222,858	2.5
Mining	216,153	2.2	206,502	2.3
Others	454,383	4.7	437,878	4.9
Subtotal	9,729,783	100.0	8,917,284	100.0
Personal loans and advances				
Residential mortgage	4,932,439	72.8	4,662,632	75.0
Personal business	451,968	6.7	380,305	6.1
Personal consumption	187,643	2.8	196,859	3.2
Credit cards	616,602	9.1	542,563	8.7
Others	582,276	8.6	436,478	7.0
Subtotal	6,770,928	100.0	6,218,837	100.0
Gross loans and advances to customers	16,500,711		15,136,121	

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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 2021			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,024,129	2,146,351	1,799,357	4,969,837
Guaranteed loans	192,321	782,389	759,396	1,734,106
Loans secured by mortgages	143,130	1,346,417	5,915,076	7,404,623
Pledged loans	387,886	263,281	1,740,978	2,392,145
Total	1,747,466	4,538,438	10,214,807	16,500,711

	31 December 2020			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,537,763	958,928	1,679,137	4,175,828
Guaranteed loans	619,901	428,989	640,554	1,689,444
Loans secured by mortgages	1,062,045	521,244	5,395,327	6,978,616
Pledged loans	623,848	101,553	1,566,832	2,292,233
Total	3,843,557	2,010,714	9,281,850	15,136,121

(4) *Overdue loan (ii)*

	30 June 2021					
	1-30 days	31-90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	6,779	5,292	12,918	3,715	5,628	34,332
Guaranteed loans	1,120	1,302	8,939	9,025	1,242	21,628
Loans secured by mortgages	29,857	19,855	27,921	26,019	6,615	110,267
Pledged loans	8,461	314	2,226	4,682	359	16,042
Total	46,217	26,763	52,004	43,441	13,844	182,269

	31 December 2020					
	Up to 30 days	31-90 days	91 to 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,678	4,645	12,114	2,675	3,526	28,638
Guaranteed loans	10,136	2,890	11,336	9,287	2,020	35,669
Loans secured by collateral	32,138	20,145	33,540	26,513	6,636	118,972
Pledged loans	2,042	554	3,803	5,274	481	12,154
Total	49,994	28,234	60,793	43,749	12,663	195,433

(ii) *When either loan principal or interest is overdue by one day in any period, the whole loan is classified as overdue loan.*

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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*

Within the credit-impaired loans and advances, the portions covered and not covered by collaterals held are as follows:

	30 June 2021	31 December 2020
Portion covered	138,705	141,492
Portion not covered	108,639	95,621
Total	247,344	237,113

(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 III or Stage II to Stage I, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

Rescheduled loan is a loan which the contractual terms were renegotiated between the Group and borrowers because of deterioration in borrowers' financial position, or the inability to meet borrowers' original repayment schedule. Rescheduled loans and advances of the Group as at 30 June 2021 amounted to RMB16,684 million (31 December 2020: RMB14,546 million).

For the six months ended 30 June 2021, as a result of debt-for-equity swaps, the Group recognized ordinary shares of RMB1,365 million (six months ended 30 June 2020: RMB1,162 million). The loss associated with these debt-for-equity swaps was not significant.

(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.

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

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 are 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.

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:

Credit grade	30 June 2021			Total
	Low	Medium	High	
Debt securities issued by:				
— Governments	4,504,294	—	—	4,504,294
— Public sector and quasi-governments	1,716,177	—	—	1,716,177
— Financial institutions	603,118	2,027	—	605,145
— Corporates	215,392	1,734	32	217,158
Special government bond	95,164	—	—	95,164
Receivable from the MOF	320,605	—	—	320,605
Others	32,115	515	9	32,639
Total	7,486,865	4,276	41	7,491,182

Credit grade	31 December 2020			Total
	Low	Medium	High	
Debt securities issued by:				
— Governments	4,288,607	—	—	4,288,607
— Public sector and quasi-governments	1,590,893	—	—	1,590,893
— Financial institutions	658,182	2,580	—	660,762
— Corporates	247,717	4,796	66	252,579
Special government bond	94,125	—	—	94,125
Receivable from the MOF	316,656	—	—	316,656
Others	31,500	528	9	32,037
Total	7,227,680	7,904	75	7,235,659

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Debt instruments (Continued)

(2) *Debt instruments analyzed by credit rating (Continued)*

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.

47.2 Liquidity risk

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

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

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

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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 2021								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Cash and balances with central banks	-	126,927	1,441	3,558	2,415	-	-	2,229,602	2,363,943
Deposits with banks and other financial institutions	-	90,811	88,850	58,335	156,237	11,401	-	-	405,634
Placements with and loans to banks and other financial institutions	18	-	141,469	105,929	157,530	43,626	1,425	-	449,997
Derivative financial assets	-	-	14,497	20,994	13,329	2,448	940	-	52,208
Financial assets held under resale agreements	3,872	-	846,468	24,617	3,269	-	-	-	878,226
Loans and advances to customers	15,066	-	570,530	697,790	2,764,185	3,969,808	7,842,927	-	15,860,306
Financial assets at fair value through profit or loss	-	9,059	18,774	16,076	81,858	79,796	146,307	119,136	471,006
Debt instrument investments at amortized cost	9	-	69,045	133,652	479,151	2,787,276	2,539,284	-	6,008,417
Other debt instrument and other equity investments at fair value through other comprehensive income	15	-	72,665	76,439	258,435	717,621	357,590	4,847	1,487,612
Other financial assets	3,113	139,462	2,253	481	1,572	64	96	2,560	149,601
Total financial assets	22,093	366,259	1,825,992	1,137,871	3,917,981	7,612,040	10,888,569	2,356,145	28,126,950
Borrowings from central banks	-	(33)	(60,064)	(202,309)	(437,608)	(1,150)	-	-	(701,164)
Deposits from banks and other financial institutions	-	(1,086,699)	(31,993)	(23,579)	(32,996)	(237,114)	-	-	(1,412,381)
Placements from banks and other financial institutions	-	-	(111,836)	(106,450)	(117,755)	(6,850)	(6,993)	-	(349,884)
Financial liabilities at fair value through profit or loss	-	(14,478)	-	-	(102)	-	(246)	(3,400)	(18,226)
Derivative financial liabilities	-	-	(12,180)	(13,485)	(7,830)	(3,614)	(1,033)	-	(38,142)
Financial assets sold under repurchase agreements	-	-	(13,938)	(1,117)	(10,856)	(1,216)	-	-	(27,127)
Due to customers	-	(12,684,452)	(520,810)	(994,113)	(3,347,293)	(4,373,088)	(6,818)	-	(21,926,574)
Debt securities issued	-	-	(132,451)	(168,293)	(707,773)	(138,788)	(294,979)	-	(1,442,284)
Other financial liabilities	-	(245,634)	(1,892)	(1,466)	(12,815)	(26,102)	(33,460)	(2,210)	(323,579)
Total financial liabilities	-	(14,031,296)	(885,164)	(1,510,812)	(4,675,028)	(4,787,922)	(343,529)	(5,610)	(26,239,361)
Net position	22,093	(13,665,037)	940,828	(372,941)	(757,047)	2,824,118	10,545,040	2,350,535	1,887,589

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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 Decemeber 2020								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Cash and balances with central banks	-	116,773	11,869	4,322	12,653	-	-	2,291,658	2,437,275
Deposits with banks and other financial institutions	-	86,976	17,494	57,867	258,811	13,037	-	-	434,185
Placements with and loans to banks and other financial institutions	17	-	209,386	155,901	151,016	29,328	1,300	-	546,948
Derivative financial assets	-	-	9,931	14,614	34,987	2,375	30	-	61,937
Financial assets held under resale agreements	3,689	-	755,438	33,315	23,764	-	-	-	816,206
Loans and advances to customers	20,062	-	543,994	812,515	3,009,584	2,858,842	7,307,436	-	14,552,433
Financial assets at fair value through profit or loss	5	11,416	40,928	61,053	138,374	107,775	100,896	122,622	583,069
Debt instrument investments at amortized cost	5	-	48,499	100,327	471,210	2,721,956	2,342,223	-	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	-	-	39,377	44,870	352,924	723,392	390,876	3,931	1,555,370
Other financial assets	3,070	91,657	1,220	798	1,821	125	87	2,784	101,562
Total financial assets	26,848	306,822	1,678,136	1,285,582	4,455,144	6,456,830	10,142,848	2,420,995	26,773,205
Borrowings from central banks	-	(30)	(57,653)	(44,542)	(634,135)	(801)	-	-	(737,161)
Deposits from banks and other financial institutions	-	(930,759)	(81,439)	(126,179)	(38,640)	(217,499)	-	-	(1,394,516)
Placements from banks and other financial institutions	-	-	(187,137)	(104,911)	(88,924)	(2,391)	(7,297)	-	(390,660)
Financial liabilities at fair value through profit or loss	-	(13,725)	(9,540)	-	(100)	(230)	-	(4,222)	(27,817)
Derivative financial liabilities	-	-	(8,719)	(11,101)	(39,995)	(4,411)	(1,056)	-	(65,282)
Financial assets sold under repurchase agreements	-	-	(84,786)	(6,920)	(16,977)	(512)	-	-	(109,195)
Due to customers	-	(11,921,912)	(554,505)	(1,256,439)	(2,955,410)	(3,672,501)	(12,134)	-	(20,372,901)
Debt securities issued	-	-	(113,725)	(360,635)	(456,191)	(88,196)	(353,098)	-	(1,371,845)
Other financial liabilities	-	(241,413)	(1,562)	(2,318)	(9,317)	(27,304)	(63,012)	(5,540)	(350,466)
Total financial liabilities	-	(13,107,839)	(1,099,066)	(1,913,045)	(4,239,689)	(4,013,845)	(436,597)	(9,762)	(24,819,843)
Net position	26,848	(12,801,017)	579,070	(627,463)	215,455	2,442,985	9,706,251	2,411,233	1,953,362

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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 2021								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Non-derivative financial assets									
Cash and balances with central banks	-	126,927	1,441	3,558	2,415	-	-	2,229,602	2,363,943
Deposits with banks and other financial institutions	-	90,811	88,975	58,644	159,070	12,092	-	-	409,592
Placements with and loans to banks and other financial institutions	18	-	141,539	106,406	163,810	45,791	1,460	-	459,024
Financial assets held under resale agreements	3,915	-	848,398	24,726	3,306	-	-	-	880,345
Loans and advances to customers	57,227	-	631,372	852,166	3,425,132	5,940,298	11,845,070	-	22,751,265
Financial assets at fair value through profit or loss	-	7,646	19,453	19,358	90,130	106,121	161,518	123,716	527,942
Debt instrument investments at amortized cost	803	-	70,319	142,636	588,060	3,331,451	3,144,749	-	7,278,018
Other debt instrument and other equity investments at fair value through other comprehensive income	19	-	73,001	78,487	279,887	803,967	411,492	3,516	1,650,369
Other financial assets	-	139,462	2,253	481	1,572	64	96	2,560	146,488
Total non-derivative financial assets	61,982	364,846	1,876,751	1,286,462	4,713,382	10,239,784	15,564,385	2,359,394	36,466,986
Non-derivative financial liabilities									
Borrowings from central banks	-	(33)	(60,173)	(203,214)	(443,229)	(1,136)	-	-	(707,785)
Deposits from banks and other financial institutions	-	(1,086,699)	(32,082)	(24,532)	(36,832)	(256,062)	-	-	(1,436,207)
Placements from banks and other financial institutions	-	-	(112,274)	(123,664)	(117,853)	(8,038)	(7,477)	-	(369,306)
Financial liabilities at fair value through profit or loss	-	(14,478)	-	-	(105)	-	(246)	(3,400)	(18,229)
Financial assets sold under repurchase agreements	-	-	(13,941)	(1,118)	(10,881)	(1,220)	-	-	(27,160)
Due to customers	-	(12,829,067)	(528,246)	(1,014,648)	(3,428,309)	(4,541,869)	(12,257)	-	(22,354,396)
Debt securities issued	-	-	(132,622)	(168,843)	(726,983)	(194,962)	(335,287)	-	(1,558,697)
Other financial liabilities	-	(245,540)	(1,977)	(1,513)	(13,024)	(26,619)	(33,540)	(2,210)	(324,423)
Total non-derivative financial liabilities	-	(14,175,817)	(881,315)	(1,537,532)	(4,777,216)	(5,029,906)	(388,807)	(5,610)	(26,796,203)
Net position	61,982	(13,810,971)	995,436	(251,070)	(63,834)	5,209,878	15,175,578	2,353,784	9,670,783

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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 2020								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Non-derivative financial assets									
Cash and balances with central banks	-	116,773	11,869	4,322	12,653	-	-	2,291,658	2,437,275
Deposits with banks and other financial institutions	-	86,976	17,515	58,080	263,326	14,419	-	-	440,316
Placements with and loans to banks and other financial institutions	17	-	211,242	158,751	154,809	30,258	1,308	-	556,385
Financial assets held under resale agreements	3,689	-	758,771	33,440	23,928	-	-	-	819,828
Loans and advances to customers	82,234	-	615,894	949,240	3,596,570	4,669,491	11,070,548	-	20,983,977
Financial assets at fair value through profit or loss	5	11,416	41,369	62,296	147,124	134,878	124,902	126,481	648,471
Debt instrument investments at amortized cost	443	-	63,769	128,789	595,532	3,187,505	2,887,451	-	6,863,489
Other debt instrument and other equity investments at fair value through other comprehensive income	-	-	41,424	49,589	384,091	798,307	442,817	2,784	1,719,012
Other financial assets	-	91,657	1,220	798	1,821	125	87	2,784	98,492
Total non-derivative financial assets	86,388	306,822	1,763,073	1,445,305	5,179,854	8,834,983	14,527,113	2,423,707	34,567,245
Non-derivative financial liabilities									
Borrowings from central banks	-	(30)	(57,653)	(44,848)	(647,586)	(790)	-	-	(750,907)
Deposits from banks and other financial institutions	-	(930,759)	(81,706)	(126,901)	(42,211)	(235,630)	-	-	(1,417,207)
Placements from banks and other financial institutions	-	-	(187,271)	(105,240)	(89,826)	(3,444)	(7,850)	-	(393,631)
Financial liabilities at fair value through profit or loss	-	(13,725)	(9,543)	-	(100)	(230)	-	(4,222)	(27,820)
Financial assets sold under repurchase agreements	-	-	(87,891)	(6,929)	(17,032)	(516)	-	-	(112,368)
Due to customers	-	(11,922,145)	(555,122)	(1,261,386)	(2,998,626)	(3,939,672)	(14,692)	-	(20,691,643)
Debt securities issued	-	-	(113,895)	(364,892)	(478,222)	(163,736)	(398,939)	-	(1,519,684)
Other financial liabilities	-	(241,177)	(1,562)	(2,321)	(9,368)	(27,800)	(63,212)	(5,540)	(350,980)
Total non-derivative financial liabilities	-	(13,107,836)	(1,094,643)	(1,912,517)	(4,282,971)	(4,371,818)	(484,693)	(9,762)	(25,264,240)
Net position	86,388	(12,801,014)	668,430	(467,212)	896,883	4,463,165	14,042,420	2,413,945	9,303,005

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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 2021					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives on a net basis	3,898	6,965	2,623	(1,495)	(359)	11,632

	31 December 2020					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives on a net basis	(18)	(120)	(39)	(2,203)	(1,018)	(3,398)

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 2021					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a gross basis						
— Cash inflow	668,368	664,738	892,316	67,426	160,703	2,453,551
— Cash outflow	(666,109)	(657,063)	(886,612)	(68,446)	(160,839)	(2,439,069)
Total	2,259	7,675	5,704	(1,020)	(136)	14,482

	31 December 2020					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a gross basis						
— Cash inflow	529,178	530,154	1,540,225	51,085	—	2,650,642
— Cash outflow	(527,974)	(526,854)	(1,545,117)	(50,938)	—	(2,650,883)
Total	1,204	3,300	(4,892)	147	—	(241)

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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 2021			Total
	Less than 1 year	1-5 years	Over 5 years	
Loan commitments	124,400	184,579	343,828	652,807
Bank acceptances	388,148	—	—	388,148
Credit card commitments	715,020	—	—	715,020
Guarantee and letters of guarantee	158,601	125,141	12,377	296,119
Letters of credit	190,535	3,038	—	193,573
Total	1,576,704	312,758	356,205	2,245,667

	31 December 2020			Total
	Less than 1 year	1-5 years	Over 5 years	
Loan commitments	277,152	387,315	952,811	1,617,278
Bank acceptances	429,841	—	—	429,841
Credit card commitments	695,183	—	—	695,183
Guarantee and letters of guarantee	135,533	118,620	10,493	264,646
Letters of credit	157,942	4,414	—	162,356
Total	1,695,651	510,349	963,304	3,169,304

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 of the Group 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.

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

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.

The Bank has adopted the 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 2021			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		64	76	99	58
Exchange rate risk	(1)	278	172	284	35
Commodity risk		110	105	136	64
Overall VaR		296	205	302	87
		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

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

VaR Analysis for the Trading Book (Continued)

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.

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 economic value of the banking book or overall income to suffer losses. The Group's banking interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the banking 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, strengthen employees training in the subsidiaries, 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, 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 of the Group 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.

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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 2021				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central banks	2,259,582	81,109	1,321	21,931	2,363,943
Deposits with banks and other financial institutions	354,350	23,924	10,768	16,592	405,634
Placements with and loans to banks and other financial institutions	148,166	236,882	38,063	26,886	449,997
Derivative financial assets	41,632	8,091	1,138	1,347	52,208
Financial assets held under resale agreements	878,226	–	–	–	878,226
Loans and advances to customers	15,329,681	400,421	58,932	71,272	15,860,306
Financial assets at fair value through profit or loss	446,624	11,925	963	11,494	471,006
Debt instrument investments at amortized cost	5,939,993	53,450	9,519	5,455	6,008,417
Other debt instrument and other equity investments at fair value through other comprehensive income	1,252,844	195,633	2,775	36,360	1,487,612
Other financial assets	129,652	13,647	4,349	1,953	149,601
Total financial assets	26,780,750	1,025,082	127,828	193,290	28,126,950
Borrowings from central banks	(700,014)	–	–	(1,150)	(701,164)
Deposits from banks and other financial institutions	(1,348,052)	(28,560)	(27,373)	(8,396)	(1,412,381)
Placements from banks and other financial institutions	(64,061)	(249,265)	(23,453)	(13,105)	(349,884)
Financial liabilities at fair value through profit or loss	(18,226)	–	–	–	(18,226)
Derivative financial liabilities	(34,066)	(706)	(2,504)	(866)	(38,142)
Financial assets sold under repurchase agreements	(5,850)	(19,333)	–	(1,944)	(27,127)
Due to customers	(21,347,833)	(502,353)	(36,023)	(40,365)	(21,926,574)
Debt securities issued	(1,107,152)	(257,711)	(28,309)	(49,112)	(1,442,284)
Other financial liabilities	(292,259)	(19,804)	(7,015)	(4,501)	(323,579)
Total financial liabilities	(24,917,513)	(1,077,732)	(124,677)	(119,439)	(26,239,361)
Net on-balance sheet position	1,863,237	(52,650)	3,151	73,851	1,887,589
Net notional amount of derivatives	141,832	112,704	15,399	(59,616)	210,319
Loan commitments and financial guarantee contracts	1,935,294	262,847	14,000	33,526	2,245,667

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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 2020				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central banks	2,365,609	54,151	1,296	16,219	2,437,275
Deposits with banks and other financial institutions	363,597	50,938	2,393	17,257	434,185
Placements with and loans to banks and other financial institutions	293,880	185,248	38,894	28,926	546,948
Derivative financial assets	56,666	1,084	45	4,142	61,937
Financial assets held under resale agreements	816,206	–	–	–	816,206
Loans and advances to customers	14,076,068	351,117	52,231	73,017	14,552,433
Financial assets at fair value through profit or loss	552,067	11,165	6,856	12,981	583,069
Debt instrument investments at amortized cost	5,617,868	58,301	4,271	3,780	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	1,309,570	206,292	2,518	36,990	1,555,370
Other financial assets	84,200	10,622	3,415	3,325	101,562
Total financial assets	25,535,731	928,918	111,919	196,637	26,773,205
Borrowings from central banks	(735,900)	–	–	(1,261)	(737,161)
Deposits from banks and other financial institutions	(1,336,474)	(26,379)	(20,775)	(10,888)	(1,394,516)
Placements from banks and other financial institutions	(136,469)	(200,492)	(32,327)	(21,372)	(390,660)
Financial liabilities at fair value through profit or loss	(27,817)	–	–	–	(27,817)
Derivative financial liabilities	(4,367)	(60,268)	(257)	(390)	(65,282)
Financial assets sold under repurchase agreements	(83,009)	(18,995)	–	(7,191)	(109,195)
Due to customers	(19,873,361)	(430,007)	(33,570)	(35,963)	(20,372,901)
Debt securities issued	(1,065,150)	(216,330)	(26,198)	(64,167)	(1,371,845)
Other financial liabilities	(310,910)	(32,108)	(2,399)	(5,049)	(350,466)
Total financial liabilities	(23,573,457)	(984,579)	(115,526)	(146,281)	(24,819,843)
Net on-balance sheet position	1,962,274	(55,661)	(3,607)	50,356	1,953,362
Net notional amount of derivatives	138,397	34,139	19,124	(30,638)	161,022
Loan commitments and financial guarantee contracts	2,893,041	236,335	7,914	32,014	3,169,304

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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 2021		31 December 2020	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
5% appreciation	(4,353)	36	(2,433)	(462)
5% depreciation	4,353	(36)	2,433	462

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency exchange rate 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 LPR 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;
- Implement limit management to control the impact of interest rate changes on the economic value and overall income of banking books within the limits.

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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 2021						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non- interest bearing	
Cash and balances with central banks	2,082,150	2,611	2,415	-	-	276,767	2,363,943
Deposits with banks and other financial institutions	175,507	58,335	156,237	11,401	-	4,154	405,634
Placements with and loans to banks and other financial institutions	157,007	118,396	159,654	14,406	-	534	449,997
Derivative financial assets	-	-	-	-	-	52,208	52,208
Financial assets held under resale agreements	846,468	24,617	3,269	-	-	3,872	878,226
Loans and advances to customers	3,993,402	2,252,014	8,371,609	767,078	437,577	38,626	15,860,306
Financial assets at fair value through profit or loss	19,334	14,762	93,902	67,028	129,410	146,570	471,006
Debt instrument investments at amortized cost	62,617	125,175	448,562	2,721,936	2,536,997	113,130	6,008,417
Other debt instrument and other equity investments at fair value through other comprehensive income	104,478	105,271	242,322	661,501	352,070	21,970	1,487,612
Other financial assets	-	-	-	-	-	149,601	149,601
Total financial assets	7,440,963	2,701,181	9,477,970	4,243,350	3,456,054	807,432	28,126,950
Borrowings from central banks	(58,621)	(197,316)	(431,223)	(769)	-	(13,235)	(701,164)
Deposits from banks and other financial institutions	(1,103,736)	(21,906)	(32,046)	(237,114)	-	(17,579)	(1,412,381)
Placements from banks and other financial institutions	(108,902)	(94,403)	(143,153)	(1,480)	-	(1,946)	(349,884)
Financial liabilities at fair value through profit or loss	-	-	(102)	(246)	-	(17,878)	(18,226)
Derivative financial liabilities	-	-	-	-	-	(38,142)	(38,142)
Financial assets sold under repurchase agreements	(13,938)	(1,115)	(10,848)	(1,216)	-	(10)	(27,127)
Due to customers	(13,144,933)	(968,012)	(3,260,858)	(4,243,540)	(6,815)	(302,416)	(21,926,574)
Debt securities issued	(142,670)	(191,719)	(692,292)	(115,091)	(294,979)	(5,533)	(1,442,284)
Other financial liabilities	-	-	-	-	-	(323,579)	(323,579)
Total financial liabilities	(14,572,800)	(1,474,471)	(4,570,522)	(4,599,456)	(301,794)	(720,318)	(26,239,361)
Interest rate gap	(7,131,837)	1,226,710	4,907,448	(356,106)	3,154,260	87,114	1,887,589

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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 2020						Non-interest bearing	Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Cash and balances with central banks	2,158,126	3,294	12,653	-	-	263,202	2,437,275	
Deposits with banks and other financial institutions	99,175	57,083	256,632	13,037	-	8,258	434,185	
Placements with and loans to banks and other financial institutions	210,779	156,519	149,070	28,830	-	1,750	546,948	
Derivative financial assets	-	-	-	-	-	61,937	61,937	
Financial assets held under resale agreements	755,068	33,616	22,967	-	-	4,555	816,206	
Loans and advances to customers	4,117,253	2,171,094	7,121,297	619,431	489,037	34,321	14,552,433	
Financial assets at fair value through profit or loss	40,569	68,013	142,140	100,054	93,128	139,165	583,069	
Debt instrument investments at amortized cost	63,386	119,236	463,453	2,617,463	2,310,470	110,212	5,684,220	
Other debt instrument and other equity investments at fair value through other comprehensive income	78,608	83,737	343,781	648,946	380,632	19,666	1,555,370	
Other financial assets	-	-	-	-	-	101,562	101,562	
Total financial assets	7,522,964	2,692,592	8,511,993	4,027,761	3,273,267	744,628	26,773,205	
Borrowings from central banks	(55,900)	(43,676)	(629,737)	(803)	-	(7,045)	(737,161)	
Deposits from banks and other financial institutions	(1,009,086)	(123,822)	(33,266)	(213,122)	-	(15,220)	(1,394,516)	
Placements from banks and other financial institutions	(187,801)	(109,893)	(90,775)	-	(1,199)	(992)	(390,660)	
Financial liabilities at fair value through profit or loss	(9,532)	-	(100)	(230)	-	(17,955)	(27,817)	
Derivative financial liabilities	-	-	-	-	-	(65,282)	(65,282)	
Financial assets sold under repurchase agreements	(84,777)	(6,914)	(16,966)	(512)	-	(26)	(109,195)	
Due to customers	(12,399,566)	(1,216,463)	(2,875,560)	(3,555,434)	(12,129)	(313,749)	(20,372,901)	
Debt securities issued	(137,270)	(373,181)	(444,048)	(63,081)	(344,953)	(9,312)	(1,371,845)	
Other financial liabilities	-	-	-	-	-	(350,466)	(350,466)	
Total financial liabilities	(13,883,932)	(1,873,949)	(4,090,452)	(3,833,182)	(358,281)	(780,047)	(24,819,843)	
Interest rate gap	(6,360,968)	818,643	4,421,541	194,579	2,914,986	(35,419)	1,953,362	

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 unparallelled 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.

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47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk (Continued)

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 2021		31 December 2020	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(39,721)	(44,205)	(37,556)	(67,941)
-100 basis points	39,721	44,205	37,556	67,941

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

47.4 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 Chinese mainland. 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.

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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.

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48 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" ("the Regulation") issued by the CBIRC as at the end of the reporting period is as follows:

		30 June 2021	31 December 2020
Common Equity Tier-one Capital Adequacy Ratio	(1)	10.85%	11.04%
Tier-one Capital Adequacy Ratio	(1)	12.65%	12.92%
Capital Adequacy Ratio	(1)	16.23%	16.59%
Common Equity Tier-one Capital	(2)	1,934,966	1,884,392
Deductible Items from Common Equity Tier-one Capital	(3)	(9,509)	(9,020)
Net Common Equity Tier-one Capital		1,925,457	1,875,372
Additional Tier-one Capital	(4)	319,884	319,884
Net Tier-one Capital		2,245,341	2,195,256
Tier-two Capital	(5)	635,897	622,668
Net Capital		2,881,238	2,817,924
Risk-weighted Assets	(6)	17,747,527	16,989,668

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).
- (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.

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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 six months ended 30 June 2021 and the year ended 31 December 2020.

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 Department 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.

For the six months ended 30 June 2021, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

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.

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.3 Financial assets and financial liabilities not measured at fair value in 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 2021				
	Carrying amount	Fair value	Among:		
			Level 1	Level 2	Level 3
Financial assets					
Debt instruments investments at amortized cost (excluding receivable from the MOF and special government bond)	5,592,648	5,658,999	32,259	5,507,376	119,364
Financial liabilities					
Debt securities issued	432,261	435,320	52,687	382,633	–
	31 December 2020				
	Carrying amount	Fair value	Among:		
			Level 1	Level 2	Level 3
Financial assets					
Debt instruments investments at amortized cost (excluding receivable from the MOF and special government bond)	5,273,439	5,333,755	27,772	5,151,535	154,448
Financial liabilities					
Debt securities issued	439,621	441,775	28,749	413,026	–

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in 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 2021			Total
	Level 1	Level 2	Level 3	
Derivative financial assets				
— Exchange rate derivatives	—	39,312	—	39,312
— Interest rate derivatives	—	922	—	922
— Precious metal contracts and others	—	11,974	—	11,974
Subtotal	—	52,208	—	52,208
Loans and advances to customers				
— Discounted bills and forfeiting	—	355,524	—	355,524
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Debt securities	9,458	128,772	—	138,230
Precious metal contracts	—	15,060	—	15,060
Equity	4,018	980	—	4,998
Fund and others	12,272	8,268	—	20,540
— Other financial assets at fair value through profit or loss				
Debt securities	—	131,293	618	131,911
Equity	2,325	24,843	71,138	98,306
Fund and others	1,303	7,668	22,687	31,658
— Financial assets designated at fair value through profit or loss				
Debt securities	2,923	19,415	—	22,338
Placements with and loans to banks and other financial institutions	—	2,974	—	2,974
Others	—	—	4,991	4,991
Subtotal	32,299	339,273	99,434	471,006
Other debt instrument and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Debt securities	137,500	1,327,360	—	1,464,860
Others	—	530	17,375	17,905
— Equity instruments	1,255	—	3,592	4,847
Subtotal	138,755	1,327,890	20,967	1,487,612
Total assets	171,054	2,074,895	120,401	2,366,350

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in 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 2021			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	—	(14,478)	—	(14,478)
— Financial liabilities designated at fair value through profit or loss				
Liabilities of the controlled structured entities	(3,400)	—	(246)	(3,646)
Others	—	(102)	—	(102)
Subtotal	(3,400)	(14,580)	(246)	(18,226)
Derivative financial liabilities				
— Exchange rate derivatives	—	(35,056)	—	(35,056)
— Interest rate derivatives	—	(3,037)	—	(3,037)
— Precious metal contracts and others	—	(49)	—	(49)
Subtotal	—	(38,142)	—	(38,142)
Due to customers				
Due to customers measured at fair value	—	(245,425)	(35,007)	(280,432)
Total liabilities	(3,400)	(298,147)	(35,253)	(336,800)

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in 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 2020			Total
	Level 1	Level 2	Level 3	
Derivative financial assets				
— Exchange rate derivatives	—	58,187	—	58,187
— Interest rate derivatives	—	1,009	—	1,009
— Precious metal contracts and others	—	2,741	—	2,741
Subtotal	—	61,937	—	61,937
Loans and advances to customers				
— Discounted bills and forfeiting	—	577,997	—	577,997
— Negotiation of letters of credit	—	52	—	52
Subtotal	—	578,049	—	578,049
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Debt securities	1,257	181,268	—	182,525
Precious metal contracts	—	21,959	—	21,959
Equity	3,912	1,032	—	4,944
Fund	14,323	209	—	14,532
— Other financial assets at fair value through profit or loss				
Debt securities	—	132,530	1,478	134,008
Equity	1,842	23,561	71,998	97,401
Fund and others	2,998	6,936	18,897	28,831
— Financial assets designated at fair value through profit or loss				
Debt securities	8,750	55,116	—	63,866
Placements with and loans to banks and other financial institutions	—	24,493	3,442	27,935
Others	—	—	7,068	7,068
Subtotal	33,082	447,104	102,883	583,069
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Debt securities	114,780	1,417,718	—	1,532,498
Others	—	531	18,410	18,941
— Equity instruments	1,222	—	2,709	3,931
Subtotal	116,002	1,418,249	21,119	1,555,370
Total assets	149,084	2,505,339	124,002	2,778,425

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in 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 2020			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	—	(13,725)	—	(13,725)
— Financial liabilities designated at fair value through profit or loss				
Placements from banks and other financial institutions by principal guaranteed wealth management	—	—	(9,540)	(9,540)
Liabilities of the controlled structured entities	(4,222)	—	(230)	(4,452)
Others	—	(100)	—	(100)
Subtotal	(4,222)	(13,825)	(9,770)	(27,817)
Derivative financial liabilities				
— Exchange rate derivatives	—	(57,756)	—	(57,756)
— Interest rate derivatives	—	(4,357)	—	(4,357)
— Precious metal contracts and others	—	(3,169)	—	(3,169)
Subtotal	—	(65,282)	—	(65,282)
Due to customers				
Due to customers measured at fair value	—	(268,551)	(73,118)	(341,669)
Total liabilities	(4,222)	(347,658)	(82,888)	(434,768)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy primarily include debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts, and structured deposit measured at fair value, etc. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps, 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.

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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 non-bank financial institutions in Chinese mainland. The credit assets are loans and advances to corporate customers in Chinese mainland. 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 for the six months ended 30 June 2021 and the year ended 31 December 2020.

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

	Six months ended 30 June 2021			
	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
1 January 2021	102,883	21,119	(9,770)	(73,118)
Purchases	7,965	750	-	-
Settlements/disposals	(12,683)	(1,144)	9,540	38,526
Total gains/(losses) recognized in				
— Profit or loss	1,269	47	(16)	(415)
— Other comprehensive income	-	195	-	-
30 June 2021	99,434	20,967	(246)	(35,007)
Change in unrealized gain for the period included in profit or loss for assets/liabilities held at the end of the period	838	-	-	-

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49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	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
1 January 2020	96,871	20,569	(6,681)	(306,294)
Purchases	62,943	6,875	(230)	–
Issues	–	–	(185,640)	(1,155,477)
Settlements/disposals	(57,086)	(6,406)	183,361	1,395,128
Total gains/(losses) recognized in				
— Profit or loss	155	108	(580)	(6,475)
— Other comprehensive income	–	(27)	–	–
31 December 2020	102,883	21,119	(9,770)	(73,118)
Change in unrealized gain/(loss) for the year included in profit or loss for assets/liabilities held at the end of the year	899	–	(100)	–

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 30 August 2021 and will be distributed on 5 November 2021.

50.2 The issuance of undated capital bonds

The Bank intends to issue write-down undated capital bonds of not more than RMB120 billion, and the proceeds will be used to replenish additional Tier 1 capital of the Bank. The above issuance plan has been considered and approved at the Board of Directors' meeting held on 17 June 2021 and the extraordinary general meeting held on 9 July 2021, which is subject to approvals of relevant regulatory authorities.

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 RMB3,732 million in total was distributed on 20 August 2021.

A distribution payment related to the Agricultural Bank of China Limited 2020 Undated Additional Tier 1 Capital Bonds (Series 2), at the distribution rate of 4.50% with the total amount of RMB35 billion, amounting to RMB1,575 million in total was distributed on 24 August 2021.

51 COMPARATIVES

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

Unreviewed Supplementary Financial Information

For the six months ended 30 June 2021
(Amounts in millions of Renminbi, unless otherwise stated)

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

1. LIQUIDITY COVERAGE RATIO

	Three months ended	
	30 June 2021	31 March 2021
Average Liquidity Coverage Ratio	127.3%	129.8%

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			Total
	USD	HKD	Other	
30 June 2021				
Spot assets	1,035,218	128,745	192,452	1,356,415
Spot liabilities	(1,077,026)	(122,173)	(118,573)	(1,317,772)
Forward purchases	1,170,549	36,646	59,297	1,266,492
Forward sales	(1,083,211)	(21,247)	(118,635)	(1,223,093)
Net options position	2,799	–	(278)	2,521
Net long position	48,329	21,971	14,263	84,563
Net structural position	4,697	5,555	4,650	14,902

	Equivalent in millions of RMB			Total
	USD	HKD	Other	
31 December 2020				
Spot assets	945,515	115,422	198,148	1,259,085
Spot liabilities	(924,311)	(115,269)	(145,891)	(1,185,471)
Forward purchases	1,172,479	43,880	68,332	1,284,691
Forward sales	(1,115,324)	(24,756)	(96,172)	(1,236,252)
Net options position	(23,016)	–	(2,798)	(25,814)
Net long position	55,343	19,277	21,619	96,239
Net structural position	6,212	6,125	3,103	15,440

Unreviewed Supplementary Financial Information

For the six months ended 30 June 2021
(Amounts in millions of Renminbi, unless otherwise stated)

3. OVERDUE AND RESCHEDULED ASSETS

(1) Gross amount of overdue loans and advances to customers

	30 June 2021	31 December 2020
Overdue		
within 3 months	72,980	78,228
between 3 and 6 months	17,338	27,106
between 6 and 12 months	34,666	33,687
over 12 months	57,285	56,412
Total	182,269	195,433
Percentage of overdue loans and advances to customers in total loans		
within 3 months	0.44%	0.52%
between 3 and 6 months	0.11%	0.18%
between 6 and 12 months	0.20%	0.22%
over 12 months	0.35%	0.37%
Total	1.10%	1.29%

(2) Rescheduled loans and advances to customers

	30 June 2021	31 December 2020
Total rescheduled loans and advances to customers	16,684	14,546
Including: rescheduled loans and advances to customers overdue for not more than 3 months	697	1,539
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months to total loans	0.00%	0.01%

(3) Gross amount of overdue placements with and loans to banks and other financial institutions.

The overdue amounts in the Group's placements with and loans to banks and other financial institutions as at 30 June 2021 and 31 December 2020 were insignificant.





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