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Harbin Bank Co., Ltd.
哈爾濱銀行股份有限公司*

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

(Stock Code: 6138)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "**Board**") of Harbin Bank Co., Ltd. (the "**Bank**") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "**Group**") for the six months ended 30 June 2020. This results announcement, containing the full text of the 2020 interim report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcement of interim results. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 have been reviewed by Ernst & Young in accordance with International Standard on Review Engagements. Such interim results have also been reviewed by the Board and the audit committee of the Bank. Unless otherwise stated, financial data of the Group are presented in Renminbi.

This results announcement is published on the websites of the Bank (www.hrbb.com.cn) and HKExnews (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2020 will be dispatched to shareholders of the Bank and will be available on the above websites in due course.

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The Company holds the Finance Permit No. B0306H223010001 approved by the China Banking and Insurance Regulatory Commission and has obtained the Business License (Unified Social Credit Code: 912301001275921118) approved by the Market Supervision and Administration Bureau of Harbin. The Company is not an authorised institution within the meaning of the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.

Definitions

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

"Articles of Association"	the Articles of Association of Harbin Bank Co., Ltd.
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"CBIRC"/"CBRC"	the China Banking and Insurance Regulatory Commission/China Banking Regulatory Commission (before 17 March 2018)
"China" or "PRC"	the People's Republic of China
"Company"	Harbin Bank Co., Ltd. (哈爾濱銀行股份有限公司), a joint stock company incorporated in the PRC on 25 July 1997 with limited liability in accordance with PRC laws
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid in RMB
"Group" or "Bank"	the Company and all of its subsidiaries and branches
"H Share(s)"	overseas-listed foreign invested ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
"Harbin Economic Development"	Harbin Economic Development and Investment Company
"HBCF"	Harbin Bank Consumer Finance Co., Ltd.
"HB Leasing"	Harbin Bank Financial Leasing Co., Ltd.
"Heilongjiang Financial Holdings"	Heilongjiang Financial Holdings Group Co., Ltd.
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"PBOC" or "Central Bank"	the People's Bank of China
"Reporting Period"	the six months ended 30 June 2020
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Supervisor(s)"	the supervisor(s) of the Company

Company Profile

Basic Information

Legal Chinese Name:

哈爾濱銀行股份有限公司(Abbreviation: 哈爾濱銀行)

English Name:

HARBIN BANK CO., LTD. (Abbreviation: HARBIN BANK)

Legal Representative:

GUO Zhiwen

Authorised Representatives for the Hong Kong Stock Exchange:

LYU Tianjun* and SUN Feixia

Board Secretary:

SUN Feixia

Company Secretary:

SUN Feixia

Registered Address:

No. 160 Shangzhi Street, Daoli District, Harbin, PRC

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong

Contact Address:

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www.hrbb.com.cn
www.hkexnews.hk

Place Where this Report is Available:

No. 888 Shangjiang Street, Daoli District, Harbin, PRC

Place of Listing, Stock Name and Stock Code:

The Stock Exchange of Hong Kong Limited, HARBIN BANK and 6138

Corporate Unified Social Credit Code:

912301001275921118

Finance Permit Institution Number:

B0306H223010001

Date of Initial Registration:

25 July 1997

Initial Registration Authority:

Market Supervision and Administration Bureau of Harbin, Heilongjiang Province, PRC

Legal Adviser as to Laws of China:

Beijing Jun He Law Offices

Legal Adviser as to Laws of Hong Kong, China:

Linklaters

Auditors:

Overseas auditor: Ernst & Young, Certified Public Accountants in Hong Kong
Domestic auditor: Ernst & Young Hua Ming LLP

Hong Kong H Share Registrar and Transfer Office:

Computershare Hong Kong Investor Services Limited

* The surname of 呂天君 as shown on his passport is LYU.

Company Profile

The Company, headquartered in Harbin, was granted its finance permit to carry on financial business by the PBOC in February 1997, and obtained its corporate business license on 25 July 1997. At present, the Company has established 17 branches in Tianjin, Chongqing, Dalian, Shenyang, Chengdu, Harbin, Daqing, etc. and 32 village and township banks in 14 provinces and municipalities, including Beijing, Guangdong, Jiangsu, Jilin and Heilongjiang. The Company, as a controlling shareholder, has promoted the establishment of HB Leasing, the first financial leasing company in Northeastern China, and HBCF, the first consumer finance company in Heilongjiang Province, respectively. As at 30 June 2020, the Group had 381 business outlets with branches and sub-branches across seven administrative regions in China.

As at 30 June 2020, the Bank had total assets of RMB638.3465 billion, total loans and advances to customers of RMB279.6756 billion and total due to customers of RMB495.9620 billion.

In the first half of 2020, the Bank was ranked 191st in "2020 Brand Finance Global 500" published by Brand Finance (a famous UK-based branded business valuation consulting firm), 199th in "Top 1000 World Banks 2020" according to The Banker of United Kingdom, and 31st in the "2019 China Banking Top 100 List (2019年中國銀行業100強榜單)" published by China Banking Association. The Bank was awarded the 2019 Responsible Finance Award in the "9th China Charity Festival (第九屆中國公益節)", 2019 Excellent City Commercial Bank for Banking Wealth Management Registration (2019年度銀行業理財登記工作優秀城商行獎), Top Ten City Commercial Banks in Inclusive Finance (十佳普惠金融城商銀行), and the 9th Top Ten National Village and Township Banks (第九屆全國十佳村鎮銀行).

Major Subsidiaries

The details of major subsidiaries of the Company as at 30 June 2020 are as follows:

Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
Bayan Rongxing Village and Township Bank Co., Ltd.	Bayan, Heilongjiang	50	100.00	53.4
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30	100.00	30
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	200	85.00	207.6
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30	100.00	30
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	Baoan, Shenzhen	220	70.00	140
Yanshou Rongxing Village and Township Bank Co., Ltd.	Yanshou, Heilongjiang	30	100.00	30
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	150	80.00	144.4
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80	75.00	60
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	50	98.00	49
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	30	100.00	30
Yanshi Rongxing Village and Township Bank Co., Ltd.	Yanshi, Henan	30	100.00	30
Leping Rongxing Village and Township Bank Co., Ltd.	Leping, Jiangxi	30	100.00	30
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	Rudong, Jiangsu	106	80.00	80
Honghu Rongxing Village and Township Bank Co., Ltd.	Honghu, Hubei	30	100.00	30
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	Zhuzhou, Hunan	55	80.00	40
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	Wulong, Chongqing	50	70.00	35
Xin'an Rongxing Village and Township Bank Co., Ltd.	Xin'an, Henan	33.3	90.09	30
Anyi Rongxing Village and Township Bank Co., Ltd.	Anyi, Jiangxi	30	100.00	30
Yingcheng Rongxing Village and Township Bank Co., Ltd.	Yingcheng, Hubei	40	100.00	30
Leiyang Rongxing Village and Township Bank Co., Ltd.	Leiyang, Hunan	50	100.00	50
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	Baoting, Hainan	30	96.67	29

Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	Shapingba, Chongqing	100	80.00	80
Hejian Ronghui Village and Township Bank Co., Ltd.	Hejian, Hebei	50	100.00	50
Chongqing Youyang Rongxing Village and Township Bank Co., Ltd.	Youyang, Chongqing	60	100.00	60
Harbin Bank Financial Leasing Co., Ltd.	Harbin, Heilongjiang	2,000	80.00	1,600
Harbin Bank Consumer Finance Co., Ltd.	Harbin, Heilongjiang	1,500	53.00	795
Ning'an Rongxing Village and Township Bank Co., Ltd.	Ning'an, Heilongjiang	30	100.00	30
Huanan Rongxing Village and Township Bank Co., Ltd.	Huanan, Heilongjiang	30	100.00	30
Nehe Rongxing Village and Township Bank Co., Ltd.	Nehe, Heilongjiang	50	80.00	40
Pingliang Kongtong Rongxing Village and Township Bank Co., Ltd.	Pingliang, Gansu	50	90.00	45
Tianshui Maiji Rongxing Village and Township Bank Co., Ltd.	Tianshui, Gansu	50	98.00	49
Zhongjiang Rongxing Village and Township Bank Co., Ltd.	Zhongjiang, Sichuan	50	70.00	35
Langzhong Rongxing Village and Township Bank Co., Ltd.	Langzhong, Sichuan	50	90.00	45
Chengdu Qingbaijiang Rongxing Village and Township Bank Co., Ltd.	Chengdu, Sichuan	100	70.00	70

Summary of Accounting Data and Financial Indicators

The unaudited financial information contained in this report is prepared under the International Financial Reporting Standards on a consolidated basis. Unless otherwise stated, such information is the data of the Group denominated in RMB.

	For the six months ended 30 June			For the year ended 31 December
	2020	2019	2020 vs. 2019	2019
				(In RMB million, except percentages)
Results of operations			**Rate of change**	
Net interest income	5,832.8	5,175.8	12.69%	10,836.1
Net fee and commission income	1,057.8	1,462.2	-27.66%	2,225.6
Operating income	7,840.9	7,424.6	5.61%	15,124.4
Operating expenses	(1,834.0)	(1,953.7)	-6.13%	(5,153.0)
Impairment losses	(3,586.8)	(2,661.1)	34.79%	(5,180.9)
Profit before tax	2,420.1	2,809.8	-13.87%	4,790.5
Net profit	1,853.3	2,208.9	-16.10%	3,635.1
Net profit attributable to shareholders of the Company	1,857.8	2,175.7	-14.61%	3,558.4
For each share (RMB)			**Rate of change**	
Net assets per share attributable to shareholders of the Company	4.59	4.39	4.56%	4.53
Earnings per share	0.17	0.20	-15.00%	0.32
Profitability indicators			**Change**	
Return on average total assets[1]	0.61%	0.71%	decreased by 0.10 percentage point	0.61%
Return on average equity[2]	7.41%	9.20%	decreased by 1.79 percentage points	7.41%
Net interest spread[3]	2.13%	1.55%	increased by 0.58 percentage point	1.87%
Net interest margin[4]	2.15%	1.75%	increased by 0.40 percentage point	1.95%
Net fee and commission income to operating income ratio	13.49%	19.69%	decreased by 6.20 percentage points	14.72%
Cost-to-income ratio[5]	22.03%	25.01%	decreased by 2.98 percentage points	32.71%

Summary of Accounting Data and Financial Indicators

	As of 30 June	As of 31 December	
	2020	2019	30 June 2020 vs. 31 December 2019
			(In RMB million, except percentages)
Capital adequacy indicators[6]			**Change**
Core tier 1 capital adequacy ratio	10.08%	10.22%	decreased by 0.14 percentage point
Tier 1 capital adequacy ratio	10.10%	10.24%	decreased by 0.14 percentage point
Capital adequacy ratio	12.30%	12.53%	decreased by 0.23 percentage point
Total equity to total assets	8.19%	8.86%	decreased by 0.67 percentage point
Assets quality indicators			**Change**
NPL ratio[7]	2.39%	1.99%	increased by 0.40 percentage point
Impairment coverage ratio[8]	132.69%	152.50%	decreased by 19.81 percentage points
Impairment losses on loans[9]	3.17%	3.04%	increased by 0.13 percentage point
Other indicators			**Change**
Loan-deposit ratio	56.39%	61.92%	decreased by 5.53 percentage points
Scale indicators			**Rate of change**
Total assets	638,346.5	583,089.4	9.48%
Of which: total loans and advances to customers	279,675.6	263,604.1	6.10%
Total liabilities	586,048.8	531,448.2	10.27%
Of which: due to customers	495,962.0	425,683.7	16.51%
Share capital	10,995.6	10,995.6	–
Equity attributable to shareholders of the Company	50,487.7	49,826.7	1.33%
Non-controlling interests	1,810.0	1,814.5	-0.25%
Total equity	52,297.7	51,641.2	1.27%

Notes:

(1) The percentage of net profit during the Reporting Period to the average balance of the total assets at the beginning and the end of the Reporting Period.

(2) The percentage of net profit attributable to owners of the parent during the Reporting Period to the average balance of total equity attributable to owners of the parent at the beginning and the end of the Reporting Period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.

(5) Calculated with the operating cost after deducting tax and surcharges and divided by the operating income.

(6) Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation).

(7) Calculated with the total NPLs divided by the total loans to customers.

(8) Calculated with the allowance for impairment loss on loans divided by the total NPLs. According to the Notice of the CBIRC on Phased Adjustment of the Requirements for the Loan Loss Allowance for Small and Medium Commercial Banks (Yin Bao Jian Fa [2020] No. 16), the impairment coverage ratio standard was lowered to 130%.

(9) Calculated with the allowance for impairment loss on loans divided by the total loans to customers. According to the Notice of the CBIRC on Phased Adjustment of the Requirements for the Loan Loss Allowance for Small and Medium Commercial Banks (Yin Bao Jian Fa [2020] No. 16), the impairment losses on loans ratio standard was lowered to 2%.

I. Past Economy and Environment and Operation Overview

(I) Past Economy and Environment

Since the beginning of this year, the COVID-19 pandemic has brought a huge impact to the world economy. In the face of a complicated environment with significantly increasing domestic and international risks and challenges, all regions and departments have implemented the Party Central Committee's strategies and decisions, fought three critical battles against major financial risks, poverty and pollution, and implemented the macroeconomic policy of counter-cyclical adjustments in a timely and appropriate manner, so as to effectively promote high-quality development. In the coordination of pandemic prevention and control as well as the economic and social development across the country, by virtue of a series of effective policies, China's economy rebounded from its downturn with a steady recovery. The overall stability of the economic and social situation illustrates the strong resilience and potential of China's economy, and also reflects the effectiveness of the comprehensive policies adopted by the Party Central Committee and the State Council. In the first half of the year, the key indicators, including GDP, industry, service industry, consumption and investment, still fell in a bottom range. However, on a quarterly basis, GDP in the second quarter increased by 3.2% year on year, turning around from a decrease of 6.8% in the first quarter to a positive growth. All of the other economic indicators showed restorative growth. In terms of financial information, as at 30 June 2020, the balance of M2 amounted to RMB213.49 trillion, representing a year-on-year increase of 11.1%; the balance of M1 amounted to RMB60.43 trillion, representing a year-on-year increase of 6.5%, and the balance of M0 amounted to RMB7.95 trillion, representing a year-on-year increase of 9.5%. The balance of RMB loans amounted to RMB165.2 trillion, and the balance of RMB deposits amounted to RMB207.48 trillion. New RMB loans made in the first half of the year amounted to RMB12.09 trillion, representing a year-on-year increase of RMB2.42 trillion; and new RMB deposits amounted to RMB14.55 trillion, representing a year-on-year increase of RMB4.5 trillion. Increment of social financing scale in the first half of the year was RMB271.8 trillion, representing a year-on-year increase of 12.8%.

Since the beginning of 2020, in the face of the complicated and severe situation, Heilongjiang Provincial Party Committee and the Heilongjiang Provincial Government have adopted a series of targeted and effective countermeasures. Heilongjiang Province's economic recovery has accelerated, and the key economic indicators have rebounded significantly, showing an overall recovery trend. As at 30 June 2020, the regional gross domestic product (GDP) of Heilongjiang Province reached RMB525.06 billion, representing a year-on-year decrease of 4.9% based on comparable price calculation, the decline of which narrowed by 3.4 percentage points as compared to the first quarter. The province's fixed-asset investment increased by 0.3% year on year, turning around from negative growth to positive growth. The province's total retail sales of consumer goods decreased by 22.7% year on year, the decline of which narrowed by 10.7 percentage points as compared to the first quarter. Daily life commodities grew steadily. The balance of deposits at financial institutions in the province (in RMB and other currencies) amounted to RMB3,055.89 billion, representing an increase of 11.2% as compared to 30 June 2019; the balance of loans (in RMB and other currencies) grew by 6.0% to RMB2,273.90 billion as compared to 30 June 2019.

(II) Operation Overview

In the first half of 2020, in the face of the challenges of the COVID-19 pandemic and amid an increasingly complex and severe operating environment, the Bank, under the leadership of the Board and the supervision of the Board of Supervisors, earnestly put the national economic and financial policies into practice and upheld the strategic positioning of microcredit, with a focus on the theme of "steady improvements". Adhering to the standards of "strategic focus, problem orientation, pursuit of truth and practicability, and elevating values", the Bank achieved remarkable performance with persistence and concentrating its efforts on tackling the issues, as reflected in better-than-expected pandemic prevention and control results, a better-than-expected operating performance recovery, and a better-than-expected progress of key reform and transformation projects.

Steady business scale development

As at 30 June 2020, the Group had total assets of RMB638.3465 billion, representing an increase of RMB55.2571 billion or 9.5% as compared to the end of last year; total loans and advances to customers of the Group amounted to RMB279.6756 billion, representing an increase of RMB16.0715 billion or 6.1% as compared to the end of last year; and due to customers of the Group amounted to RMB495.9620 billion, representing an increase of RMB70.2783 billion or 16.5% as compared to the end of last year.

Stable profitability

The Group recorded a net profit of RMB1.8533 billion for the first half of 2020, representing a year-on-year decrease of RMB0.3556 billion or 16.1%, and a net profit attributable to shareholders of the Company of RMB1.8578 billion, representing a year-on-year decrease of RMB0.3179 billion or 14.6%. As at 30 June 2020, the return on average total assets of the Group was 0.61%, representing a decrease as compared with 0.71% in the same period of 2019; and the return on average equity of the Group was 7.41%, representing a decrease as compared with 9.20% in the same period of 2019.

Slight increase in NPLs

Under the impact of the COVID-19 pandemic, as at 30 June 2020, the balance of the Group's NPLs was RMB6.6894 billion, and the NPL ratio was 2.39%; the balance of loans past due for more than 90 days was RMB6.6837 billion, representing 2.39% of total loans; the ratio of loans past due for more than 90 days to NPLs was 99.91%; and impairment losses on loans was 3.17%, representing an increase of 0.13 percentage point as compared to the end of last year, showing increased risk resilience.

Compliance with Applicable Laws and Regulations

The Company has been, throughout its operation, in compliance with applicable laws and regulations, including the Commercial Bank Law of the People's Republic of China, the Company Law of the People's Republic of China, the Hong Kong Listing Rules and other laws and regulations. During the Reporting Period, there was no material violation of the laws and regulations by the Company.

(III) Analysis of Key Issues

1. Net interest margin

In the first half of 2020, the net interest spread of the Bank was 2.13%, representing a year-on-year increase of 0.58 percentage point, and the net interest margin was 2.15%, representing a year-on-year increase of 0.40 percentage point, mainly attributable to (1) a relatively loose monetary market in the first half of 2020, resulting in a downward market interest rate and a decrease in the cost of interbank liabilities; (2) the active optimisation of the deposit structure and reduction of high-cost liabilities by the Bank, and the customers' cost ratios of deposits decreased year-on-year. On the other hand, under the impact of numerous factors such as actively reducing the financing costs of borrowers, the impact of the COVID-19 pandemic, economic growth slowdown and declining asset quality, the loan yield decreased, which had certain negative effects on the net interest spread and net interest margin. Looking forward to the second half of 2020, it is expected that the downward pressure faced by China's economy will continue, and with the impact of the COVID-19 pandemic on certain industries, the market competition will be intensified under the gradual progress of interest rate marketisation, the cost control of debt will be more difficult, and the net interest spread and net interest margin will be subject to relatively great downward pressure. To this end, the Bank will further strengthen its active management of assets and liabilities, proactively adjust its credit structure, adjust its investment portfolios in due course, strengthen its risk control, optimise pricing mechanisms and perform customer-oriented differentiated pricing in order to maintain a relatively steady return on assets. In addition, the Bank will be active in coping with challenges posed by such interest rate marketisation by strengthening its liquidity management, consolidating its customer base, optimising its debt structure and endeavouring to maintain its cost of debt to ensure a generally stable net interest spread and net interest margin.

2. Quality of key assets

As at 30 June 2020, the balance of the Group's NPLs was RMB6.6894 billion and the NPL ratio was 2.39%, and the balance of loans past due for more than 90 days was RMB6.6837 billion, representing 2.39% of total loans. The Bank continued to strengthen the control of NPLs, and strictly adhered to the classification principal according to the five-category loan classification. The ratio of loans past due for more than 90 days to NPLs was 99.91%, which was constantly controlled within 100%.

The NPLs of the corporate loans of the Bank during the Reporting Period primarily concentrated in the wholesale and manufacturing industries, which amounted to RMB1,287.5 million and RMB1,071.0 million, respectively, and the NPL ratio amounted to 3.68% and 13.65%, respectively. The Bank actively adjusted loan industry and regional structure, further explored the potential of existing customers, examined potential risks of existing customers in advance, proactively took steps to prevent and control the risks, increased efforts in judicial collection and actively resolved existing NPLs. For new loans, the Bank set differentiated customer access standards, risk limits and risk pricing standards based on asset quality of the industry, to improve the quality of new loan assets.

In terms of the prevention and control of regional risk, the Bank continued to optimise the loan resources allocation in different regions, strengthened centralised management of approval, established a vertical approval management structure of "headquarter + regional presence", improved approval independence and enhanced asset quality control capacity. The Bank strengthened its management of industry quota, products quota, credit facilities to related party clients, distant loans, collateral loans to third parties, credit facilities to specific business districts and loans overdue. For the risk concentrated regions, the Bank selectively raised the credit access standard and dynamically adjusted the credit authorisation so as to prevent the occurrence of regional systematic risks.

3. Capital management

During the Reporting Period, the Bank fulfilled and implemented the requirements of its capital management plans, continuously strengthened its capital management fundamental capability, and further enhanced the role of capital in leading and restraining its business development. On the one hand, the Bank, based on its strategic goal and developmental stage of establishing a microcredit bank, prioritised business areas including microcredit in allocating its capital. On the other hand, the Bank placed its capital in business areas with lower capital occupancy and higher yields in accordance with the Administration Measures for the Capital of Commercial Banks (for Trial Implementation). During the Reporting Period, the Bank has met the minimum capital requirement, reserve capital requirement and countercyclical capital buffer for the capital adequacy ratios as required by the CBIRC.

As at 30 June 2020, the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of the Bank were 10.08%, 10.10% and 12.30%, respectively, representing a decrease of 0.14 percentage point, 0.14 percentage point and 0.23 percentage point, respectively, as compared to the end of last year. The decrease in the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio was mainly due to the increase in risk-weighted assets and distribution of cash dividends. As at the end of the Reporting Period, risk-weighted assets of the Bank amounted to RMB505.3851 billion, representing an increase of RMB13.9085 billion, or 2.8% as compared to the end of last year. In the first half of 2020, the Company declared the distribution of cash dividends of RMB1.0996 billion, resulting in the corresponding decrease in net core tier 1 capital. Looking forward to the second half of 2020, the Bank will continue to strengthen its capital management by: (1) continuing its differentiated competition strategy with characteristic development path to further enhance internal capital generation capability; (2) actively responding to changes in current situations and strengthening its active management of capital, continuously optimising its business structure and raising awareness of intensive capital use; and (3) establishing multi-layer and multi-channel mechanisms for capital replenishment to ensure that the capital adequacy level satisfies the regulatory requirements on an ongoing basis.

4. Investment in debt instruments issued by financial institutions

As at 30 June 2020, total investment by the Bank in debt financial instruments issued by financial institutions amounted to RMB159.2590 billion, representing a decrease of 4.4% as compared to the end of last year. Pursuant to the requirements of the Notice on Regulating the Interbank Business of Financial Institutions (Yin Fa [2014] No. 127), the Bank consistently performed rigid review on risk and compliance with respect to use of capital. The Bank accurately measured risks, and set aside capital and made provisions accordingly based on the principle of "substance over formality" and the nature of the underlying assets. Following loan provision requirements, the Bank progressively raised the coverage ratio for investment in debt instruments issued by financial institutions to a relatively higher level in a steady, prudent and dynamic manner based on the expected credit loss model measurement. As at 30 June 2020, the balance of provision of the Bank's investment in debt instruments issued by financial institutions amounted to RMB4.4785 billion, representing an increase of RMB598.0 million as compared to the end of last year, and the coverage ratio was 2.81%, representing an increase of 0.48 percentage point as compared to the end of last year.

5. Net Stable Funding Ratio

As at 31 December 2019, the net stable funding ratio of the Bank was 104.81%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB380.028 billion, and the required stable funding (upon translation) was RMB362.581 billion.

As at 31 March 2020, the net stable funding ratio of the Bank was 111.38%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB403.122 billion, and the required stable funding (upon translation) was RMB361.936 billion.

As at 30 June 2020, the net stable funding ratio of the Bank was 116.26%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB431.905 billion and the required stable funding (upon translation) was RMB371.483 billion.

The following table sets out the net stable funding ratio of the Bank as at the dates indicated.

Item	As at 30 June 2020	As at 31 March 2020	As at 31 December 2019
		(In RMB100 million, except percentages)	
Net stable funding ratio	116.26%	111.38%	104.81%
Available stable funding	4,319.05	4,031.22	3,800.28
Required stable funding	3,714.83	3,619.36	3,625.81

II. Analysis of Income Statement

	For the six months ended 30 June			
	2020	2019	Change in amount	Rate of change
			(In RMB million, except percentages)	
Interest income	13,958.6	14,613.6	(655.0)	-4.5%
Interest expense	(8,125.8)	(9,437.8)	1,312.0	-13.9%
Net interest income	5,832.8	5,175.8	657.0	12.7%
Fee and commission income	1,167.5	1,536.6	(369.1)	-24.0%
Fee and commission expense	(109.7)	(74.4)	(35.3)	47.4%
Net fee and commission income	1,057.8	1,462.2	(404.4)	-27.7%
Net trading income or loss	629.2	515.9	113.3	22.0%
Net gain or loss on financial investments	253.6	224.2	29.4	13.1%
Net other operating income or loss	67.5	46.5	21.0	45.2%
Operating income	7,840.9	7,424.6	416.3	5.6%
Operating expenses	(1,834.0)	(1,953.7)	119.7	-6.1%
Impairment losses	(3,586.8)	(2,661.1)	(925.7)	34.8%
Operating profit	2,420.1	2,809.8	(389.7)	-13.9%
Profit before tax	2,420.1	2,809.8	(389.7)	-13.9%
Income tax expense	(566.8)	(600.9)	34.1	-5.7%
Net profit	1,853.3	2,208.9	(355.6)	-16.1%

In the first half of 2020, the Bank recorded profit before tax of RMB2,420.1 million and net profit of RMB1,853.3 million, representing a year-on-year decrease of 13.9% and 16.1%, respectively.

(I) Net Interest Income, Net Interest Spread and Net Interest Margin

In the first half of 2020, the Bank recorded net interest income of RMB5,832.8 million, representing an increase of RMB657.0 million or 12.7% year on year. The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, as well as the average yield ratio of interest-earning assets and the average cost ratio of interest-bearing liabilities.

	For the six months ended 30 June					
	2020			2019		
	Average balance[6]	Interest income	Average yield ratio	Average balance[6]	Interest income	Average yield ratio
				(In RMB million, except percentages)		
Interest-earning assets						
Loans and advances to customers	273,644.0	8,379.8	6.16%	255,502.5	8,146.2	6.43%
Investments in debt securities[1]	181,545.4	4,278.7	4.74%	220,825.0	4,767.1	4.35%
Cash and balances with the Central Bank	49,305.5	362.3	1.48%	52,979.8	366.3	1.39%
Due from banks and other financial institutions[2]	18,232.6	180.4	1.99%	42,445.7	543.6	2.58%
Long-term receivables	23,133.3	757.4	6.58%	25,632.2	790.4	6.22%
Total interest-earning assets	545,860.8	13,958.6	5.14%	597,385.2	14,613.6	4.93%

	For the six months ended 30 June					
	2020			2019		
	Average balance[6]	Interest expense	Average cost ratio	Average balance[6]	Interest expense	Average cost ratio
				(In RMB million, except percentages)		
Interest-bearing liabilities						
Due to customers	452,375.5	6,513.7	2.90%	408,398.6	6,312.4	3.12%
Due to banks[3]	34,677.8	679.0	3.94%	52,067.3	1,134.2	4.39%
Debt securities issued and others	51,135.3	873.6	3.44%	97,801.3	1,925.5	3.97%
Due to Central Bank	3,953.6	59.5	3.03%	4,124.2	65.7	3.21%
Total interest-bearing liabilities	542,142.2	8,125.8	3.01%	562,391.4	9,437.8	3.38%
Net interest income		5,832.8			5,175.8	
Net interest spread[4]			2.13%			1.55%
Net interest margin[5]			2.15%			1.75%

Notes:

(1) Include financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

(2) Include due from banks and other financial institutions and financial assets held under reverse repurchase agreements.

(3) Include due to banks, financial assets sold under repurchase agreements and borrowing from banks and other financial institutions.

(4) Calculated as the difference between the average yield ratio of total interest-earning assets and the average cost ratio of total interest-bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.

(5) Calculated by dividing net interest income by the balance of interest-earning assets, calculated based on the daily average of the interest-earning assets.

(6) Calculated as the average of the Bank's daily balances.

The following table sets out, for the periods indicated, the changes in the Bank's interest income and interest expense attributable to changes in volumes and interest rates. Changes in volumes are measured by changes in the average balances of the Bank's interest-earning assets and interest-bearing liabilities, and changes in interest rates are measured by changes in the average interest rates of the Bank's interest-earning assets and interest-bearing liabilities. Effects of changes caused by both volumes and interest rates have been allocated to changes in interest rate.

	For the six months ended 30 June		
	2020 vs. 2019		
	Increase/(decrease)		Net increase/
	Volume[1]	Interest rate[2]	(decrease)[3]
			(In RMB million)
Interest-earning assets			
Loans and advances to customers	1,069.5	(835.9)	233.6
Investments in debt securities	(1,452.5)	964.1	(488.4)
Cash and balances with the Central Bank	(49.7)	45.7	(4.0)
Due from banks and other financial institutions	(440.2)	77.0	(363.2)
Long-term receivables	(135.9)	102.9	(33.0)
Change in interest income	(1,008.8)	353.8	(655.0)
Interest-bearing liabilities			
Due to customers	1,284.3	(1,083.0)	201.3
Due to banks	(531.3)	76.1	(455.2)
Debt securities issued and others	(1,316.7)	264.8	(1,051.9)
Due to the Central Bank	(2.3)	(3.9)	(6.2)
Change in interest expense	(566.0)	(746.0)	(1,312.0)

Notes:

(1) Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost ratio for such previous period.

(2) Represents the average yield/cost ratio for the Reporting Period minus the average yield/cost ratio for the previous period, multiplied by the average balance for the Reporting Period.

(3) Represents interest income/expense for the Reporting Period minus interest income/expense for the previous period.

(II) Interest Income

For the first half of 2020, the Bank's interest income decreased by RMB655.0 million or 4.5% year on year to RMB13,958.6 million. The decrease in the Bank's interest income was primarily due to the decrease in the Bank's average balance of interest-earning assets of 8.6% from RMB597,385.2 million for the same period of last year to RMB545,860.8 million for the first half of 2020, as a result of the decreases in the investments in debt securities, due from banks and other financial institutions, cash and balances with Central Bank and long-term receivables, which were partially offset by an increase in the average yield ratio from 4.93% for the same period of last year to 5.14% for the first half of 2020. The increase in the average yield ratio of the interest-earning assets was primarily due to the increase of yield ratio of investments in debt securities and long-term receivables for the first half of 2020.

1. Interest income from loans and advances to customers

For the first half of 2020, the Bank's interest income from loans and advances to customers increased by RMB233.6 million or 2.9% to RMB8,379.8 million year-on-year, primarily due to a 7.1% increase in the average balance of loans and advances to customers, which was partially offset by a 0.27 percentage point decrease in the average yield ratio. The increase in the average balance of loans and advances to customers was mainly attributable to the increase in credit supply by the Bank to actively perform its role in supporting and serving real economy when facing the pandemic this year, resulting in an increase in the size of loans as compared to the same period of last year, while the decrease in the average yield ratio was attributable to the Bank proactively lowering the financing costs of the borrowers in support of the real economy and the decline in asset quality due to slowdown in economic growth under the pandemic.

The following table sets out, for the periods indicated, the average balance, interest income and average yield ratio for each component of the Bank's loans and advances to customers.

	For the six months ended 30 June					
	2020			2019		
	Average balance	Interest income	Average yield ratio	Average balance	Interest income	Average yield ratio
				(In RMB million, except percentages)		
Corporate loans	154,769.6	4,584.8	5.96%	137,309.7	4,218.6	6.20%
Personal loans	115,114.8	3,690.4	6.45%	118,077.8	3,924.6	6.70%
Discounted bills	3,759.6	104.6	5.59%	115.0	3.0	5.26%
Total loans and advances to customers	273,644.0	8,379.8	6.16%	255,502.5	8,146.2	6.43%

2. Interest income from investments in debt securities

For the first half of 2020, the Bank's interest income from investments in debt securities decreased by RMB488.4 million or 10.2% to RMB4,278.7 million year on year, mainly attributable to a decrease in the average balance of such business by RMB39,279.6 million, which was partially offset by an increase in the average yield ratio of 0.39 percentage point. The decrease in the average balance of investments in debt securities was mainly attributable to the Bank adjusting its investment structure and reducing the investment scale of debt financial instruments.

3. Interest income from cash and balances with Central Bank

For the first half of 2020, the Bank's interest income from cash and balances with Central Bank decreased by RMB4.0 million or 1.1% to RMB362.3 million year on year.

4. Interest income from amounts due from banks and other financial institutions

For the first half of 2020, the Bank's interest income from amounts due from banks and other financial institutions decreased by RMB363.2 million or 66.8% to RMB180.4 million year on year, primarily attributable to a 57.0% decrease of average balance and a 0.59 percentage point decrease of average yield ratio of such assets. The decrease in the average balance of such assets was primarily attributable to the reinforcement of the usage of the funds by the Bank to actively serve the financing needs of the real economy, and prioritising funds to support the investment of credit assets, while the decrease in the average yield ratio was primarily attributable to the decline in the market price of capital.

5. Interest income from long-term receivables

For the first half of 2020, the Bank's interest income from long-term receivables was RMB757.4 million, representing a decrease of RMB33.0 million year on year, primarily attributable to a 9.7% decrease in the average balance of long-term receivables, which was partially offset by the 0.36 percentage point increase in the average yield ratio. The decrease in the average balance of the such assets was mainly attributable to the reduced business scale due to the pandemic, while the increase in average yield ratio was mainly attributable to the adjustment of pricing policy and improved bargaining power to customers.

(III) Interest Expense

For the first half of 2020, the Bank's interest expense decreased by RMB1,312.0 million or 13.9% to RMB8,125.8 million as compared to the same period of last year, primarily attributable to a decrease in the average balance of interest-bearing liabilities by 3.6% from RMB562,391.4 million for the same period of last year to RMB542,142.2 million for the first half of 2020 and the decrease in the average cost ratio of interest-bearing liabilities from 3.38% for the same period of last year to 3.01% for the first half of 2020. The decrease in the average cost ratio of the interest-bearing liabilities was mainly due to the decreases in the average cost ratio of due to customers, due to banks, debt securities issued and others and due to Central Bank for the first half of 2020.

1. Interest expense on due to customers

For the first half of 2020, the Bank's interest expense on due to customers increased by RMB201.3 million or 3.2% to RMB6,513.7 million year on year, primarily attributable to the increase of 10.8% in the average balance from RMB408,398.6 million for the same period of last year to RMB452,375.5 million for the first half of 2020 as a result of the significant growth of customers deposit, which was partially offset by the 0.22 percentage point decrease in the average cost ratio. The decrease in the average cost ratio of due to customers was mainly due to the Bank's initiative to optimise the deposit structure and reduce the scale of high-cost liabilities.

	For the six months ended 30 June					
	2020			2019		
	Average Balance	Interest expense	Average cost ratio	Average Balance	Interest expense	Average cost ratio
				(In RMB million, except percentages)		
Corporate deposits						
Demand	105,009.1	562.0	1.08%	81,569.4	343.8	0.85%
Time	100,447.9	1,837.4	3.68%	157,994.4	3,223.6	4.11%
Subtotal	205,457.0	2,399.4	2.35%	239,563.8	3,567.4	3.00%
Personal deposits						
Demand	42,190.3	75.4	0.36%	37,331.9	66.0	0.36%
Time	204,728.2	4,038.9	3.97%	131,502.9	2,679.0	4.11%
Subtotal	246,918.5	4,114.3	3.35%	168,834.8	2,745.0	3.28%
Total deposits from customers	452,375.5	6,513.7	2.90%	408,398.6	6,312.4	3.12%

2. Interest expense on due to banks

For the first half of 2020, the Bank's interest expense on due to banks decreased by RMB455.2 million or 40.1% to RMB679.0 million year on year, primarily attributable to the decrease in the average cost ratio of the underlying liabilities from 4.39% for the same period of last year to 3.94% for the first half of 2020 and a 33.4% decrease in the average balance of the underlying liabilities from RMB52,067.3 million for the same period of last year to RMB34,677.8 million for the first half of 2020. The decrease in average balance of the underlying liabilities was mainly due to the Bank's overall adequate liquidity and decrease of needs of debt financing from other banks, and the decrease in the average cost ratio of the underlying liabilities was mainly due to the relatively ample liquidity in the market and the year-on-year decrease in the price of capital.

3. Interest expense on debt securities issued and others

For the first half of 2020, the Bank's interest expense on debt securities issued and others amounted to RMB873.6 million, representing a decrease of RMB1,051.9 million or 54.6% year on year, mainly attributable to a decrease in the average cost ratio of the underlying liabilities from 3.97% for the same period of last year to 3.44% for the first half of 2020 and a 47.7% decrease in the average balance of the underlying liabilities from RMB97,801.3 million for the same period of last year to RMB51,135.3 million for the first half of 2020. The decrease in the average cost ratio of the underlying liabilities was mainly due to the year-on-year decrease in the market price of capital, while the decrease in the average balance of the underlying liabilities was mainly due to the expiration of certain debt securities of the Bank.

(IV) Net Interest Spread and Net Interest Margin

For the first half of 2020, the Bank's net interest spread increased from 1.55% for the same period of last year to 2.13% for the first half of 2020, and the net interest margin increased from 1.75% for the same period of last year to 2.15% for the first half of 2020, mainly attributable to a decline in market interest rates due to the looser market liquidity in the first half of the year, and the Bank's initiative to adjust its debt structure to reduce high-cost liabilities, and the decreased cost of funds as compared with the same period of last year.

(V) Non-interest Income

1. Net fee and commission income

For the first half of 2020, the Bank's net fee and commission income decreased by RMB404.4 million or 27.7% year on year to RMB1,057.8 million, primarily attributable to the decrease in the Bank's advisory and consultancy fee income, settlement fee income and agency and custodian fee income.

	For the six months ended 30 June			
	2020	2019	Change in amount	Rate of change
	(In RMB million, except percentages)			
Fee and commission income	1,167.5	1,536.6	(369.1)	-24.0%
Advisory and consultancy fee	121.5	344.4	(222.9)	-64.7%
Settlement fee	8.7	46.1	(37.4)	-81.1%
Agency and custodian fee	316.3	508.1	(191.8)	-37.7%
Of which: non-principal protected wealth management agency fee	166.2	306.7	(140.5)	-45.8%
Bank card fee	717.5	613.0	104.5	17.0%
Others	3.5	25.0	(21.5)	-86.0%
Fee and commission expense	(109.7)	(74.4)	(35.3)	47.4%
Net fee and commission income	1,057.8	1,462.2	(404.4)	-27.7%

For the first half of 2020, the Bank's advisory and consultancy fee income decreased by RMB222.9 million or 64.7% year on year to RMB121.5 million, mainly attributable to the changes in volume of advisory and consultancy business.

For the first half of 2020, the Bank's settlement fee income decreased by RMB37.4 million or 81.1% year on year to RMB8.7 million, mainly attributable to the volume change of the settlement business and the adjustment in relevant pricing policy.

For the first half of 2020, the Bank's agency and custodian fee income decreased by RMB191.8 million or 37.7% year on year to RMB316.3 million, mainly attributable to the decrease in scale of the agency and custodian business.

For the first half of 2020, the Bank's bank card fee income increased by RMB104.5 million or 17.0% year on year to RMB717.5 million, mainly attributable to the increase in number of customers and business volume resulting from the Bank's great effort in expanding the bank card related intermediary business.

For the first half of 2020, the Bank realised other fee and commission income of RMB3.5 million, representing a decrease of RMB21.5 million or 86.0% year on year.

2. Net trading income or loss

For the first half of 2020, the Bank's net trading income increased by RMB113.3 million or 22.0% year on year to RMB629.2 million, mainly attributable to the increase in interest income from the financial assets measured at fair value through profit or loss.

3. Net gain or loss on financial investments

For the first half of 2020, the Bank's net gains on financial investments increased by RMB29.4 million or 13.1% year on year to RMB253.6 million, mainly attributable to the increase in gains on disposal of financial assets measured at amortised cost.

4. Net other operating income or loss

For the first half of 2020, the Bank's net other operating income increased by RMB21.0 million or 45.2% year on year to RMB67.5 million, mainly due to the change in exchange rates and increase in rental income.

(VI) Operating Expenses

For the first half of 2020, the Bank's operating expenses decreased by RMB119.7 million or 6.1% year on year to RMB1,834.0 million.

	For the six months ended 30 June			
	2020	2019	Change in amount	Rate of change
			(In RMB million, except percentages)	
Staff costs	894.1	977.4	(83.3)	-8.5%
Tax and surcharges	106.3	96.6	9.7	10.0%
Depreciation and amortisation	390.7	326.5	64.2	19.7%
Others	442.9	553.2	(110.3)	-19.9%
Total operating expenses	1,834.0	1,953.7	(119.7)	-6.1%

Staff costs are the largest component of the Bank's operating expenses, representing 48.8% and 50.0% of the Bank's total operating expenses for the first half of 2020 and 2019, respectively.

The following table shows the major components of staff costs of the Bank for the periods indicated.

	For the six months ended 30 June			
	2020	2019	Change in amount	Rate of change
			(In RMB million, except percentages)	
Staff costs				
Salaries, bonuses and allowances	658.2	739.4	(81.2)	-11.0%
Social insurance	116.5	125.9	(9.4)	-7.5%
Housing fund	76.7	61.6	15.1	24.5%
Staff benefits	34.4	38.8	(4.4)	-11.3%
Labor union expenditure and education costs	8.2	11.7	(3.5)	-29.9%
Early retirement benefits	0.1	0.0	0.1	–
Total	894.1	977.4	(83.3)	-8.5%

For the first half of 2020, the staff costs of the Bank were RMB894.1 million, representing a decrease of RMB83.3 million or 8.5% year on year, primarily attributable to the Bank proactively reducing the bonus amount according to the operating situation and controlling the welfare expenses, labor union expenditure and education costs due to the pandemic.

For the first half of 2020, the Bank had to pay tax and surcharges of RMB106.3 million, representing an increase of RMB9.7 million or 10.0% year on year, primarily attributable to the change in tax policies and the increase in relevant taxes as a result of the development of the Bank's business.

For the first half of 2020, depreciation and amortisation of the Bank were RMB390.7 million, representing an increase of RMB64.2 million or 19.7% year on year, primarily attributable to the increase in the capital expenditure related to the information technology and operating offices of the Bank.

For the first half of 2020, the Bank's other operating expenses decreased by RMB110.3 million or 19.9% year on year to RMB442.9 million, primarily attributable to the facts that the Bank strengthened the cost control efforts and that certain expenses events did not occur due to the pandemic.

(VII) Impairment Losses

For the first half of 2020, the Bank's impairment losses increased by RMB925.7 million or 34.8% year on year to RMB3,586.8 million, primarily attributable to the continuing impairment provision for assets on a dynamic basis after taking into comprehensive consideration of the uncertainties in economic environment, and in accordance with the relevant requirements of the regulatory authorities. Meanwhile, the Bank speeded up the disposal of NPLs, which led to an increase in the write-off amount of NPLs resulting in an increase in impairment losses.

	For the six months ended 30 June			
	2020	2019	Change in amount	Rate of change
			(In RMB million, except percentages)	
Loans and advances to customers	2,902.0	1,782.7	1,119.3	62.8%
Other assets	684.8	878.4	(193.6)	-22.0%
Total impairment losses	3,586.8	2,661.1	925.7	34.8%

(VIII) Income Tax Expenses

For the first half of 2020, the Bank's income tax expenses decreased by RMB34.1 million or 5.7% year on year to RMB566.8 million.

	For the six months ended 30 June			
	2020	2019	Change in amount	Rate of change
			(In RMB million, except percentages)	
Current income tax expenses	899.4	1,023.1	(123.7)	-12.1%
Deferred income tax expenses	(332.6)	(422.2)	89.6	-21.2%
Effective income tax expenses	566.8	600.9	(34.1)	-5.7%

III. Analysis of Key Items of Financial Position

(I) Assets

As at 30 June 2020, the Bank's total assets increased by RMB55,257.1 million or 9.5% to RMB638,346.5 million as compared to the end of last year, mainly attributable to the increase in the Bank's cash and balances with the Central Bank, loans and advances to customers, due from banks and other financial institutions, and investment in securities and other financial assets.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Loans and advances to customers, net	274,200.9	43.0%	258,496.4	44.3%
Net investment in securities and other financial assets	233,030.5	36.5%	231,843.2	39.8%
Cash and balances with the Central Bank	84,786.9	13.3%	52,282.3	9.0%
Due from banks and other financial institutions	6,014.6	0.9%	3,731.7	0.6%
Other assets	40,313.6	6.3%	36,735.8	6.3%
Total assets[(1)]	638,346.5	100.0%	583,089.4	100.0%

Note:

(1) Of which, accrued interest is accounted in each of the interest-generating assets items but not in other discussions and analysis.

1. Loans and advances to customers

As at 30 June 2020, the Bank's total loans and advances to customers increased by RMB16,071.5 million to RMB279,675.6 million, representing an increase of 6.1% as compared to the end of last year.

The following table sets out a breakdown of the Bank's loans by business lines as at the dates indicated.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Corporate loans	157,274.6	56.2%	140,578.3	53.3%
Personal loans	119,062.2	42.6%	119,083.9	45.2%
Discounted bills	3,338.8	1.2%	3,941.9	1.5%
Total loans and advances to customers	279,675.6	100.0%	263,604.1	100.0%

(1) Corporate loans

As at 30 June 2020, the Bank's corporate loans increased by RMB16,696.3 million to RMB157,274.6 million, representing an increase of 11.9% as compared to the end of last year, mainly attributable to the increase in the Bank's loans to customers to continuously support the real economy development.

The following table sets out a breakdown of the Bank's corporate loans by customer type as at the dates indicated.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Loans to small enterprises[1]	66,788.1	42.5%	59,357.8	42.2%
Other corporate loans excluding loans to small enterprises	90,486.5	57.5%	81,220.5	57.8%
Total corporate loans	157,274.6	100.0%	140,578.3	100.0%

Note:

(1) Loans to small enterprises include corporate loans to small enterprises and micro enterprises as defined in the SME Classification Standards. According to the SME Classification Standards, there are different classification standards for different industries. For example, industrial enterprises having more than 20 but less than 1,000 employees and generating more than RMB3 million in operating income in a year are classified as small enterprises, while enterprises having more than 5 but less than 200 employees and generating more than RMB10 million in operating income in a year in the wholesale industry are also classified as small enterprises. Industrial enterprises having less than 20 employees or generating less than RMB3 million in operating income in a year are classified as micro enterprises, while enterprises having less than 5 employees or generating less than RMB10 million in operating income in a year in the wholesale industry are also classified as micro enterprises.

As at 30 June 2020, the Bank's loans to small enterprises increased by RMB7,430.3 million to RMB66,788.1 million, representing an increase of 12.5% as compared to the end of last year. As at 30 June 2020 and 31 December 2019, the Bank's loans to small enterprises accounted for 42.5% and 42.2% of the Bank's total corporate loans, respectively.

(2) Personal loans

As at 30 June 2020, the Bank's personal loans decreased by RMB21.7 million to RMB119,062.2 million, representing a decrease of 0.02% as compared to the end of last year, mainly attributable to the decrease in personal consumption loans and loans to small enterprise owners, which was partly offset by the increase in loans to farmers.

The following table sets out a breakdown of the Bank's personal loans by product type as at the dates indicated.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Loans to small enterprise owners	37,137.9	31.2%	38,300.0	32.2%
Personal consumption loans	65,252.0	54.8%	68,096.2	57.1%
Loans to farmers	16,672.3	14.0%	12,687.7	10.7%
Total personal loans	119,062.2	100.0%	119,083.9	100.0%

As at 30 June 2020, loans to small enterprise owners and personal consumption loans decreased by 3.0% and 4.2%, respectively as compared to the end of last year, and loans to farmers increased by 31.4%, as compared to the end of last year.

2. Investment in securities and other financial assets

As at 30 June 2020, the total amount of the Bank's investment in securities and other financial assets was RMB235,229.3 million, representing an increase of RMB1,532.1 million or 0.7% as compared to the end of last year, mainly attributable to the Bank's efforts to increase the use of various types of investments, and continuously expand the Bank's capital allocation channels, in order to improve the utilisation efficiency of the Bank's funds.

The following table sets out the components of the Bank's investment in securities and other financial assets as at the dates indicated.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Financial assets measured at fair value through profit or loss	64,263.5	27.3%	59,418.8	25.4%
Financial assets measured at amortised cost	142,664.1	60.7%	148,023.1	63.4%
Financial assets measured at fair value through other comprehensive income	28,301.7	12.0%	26,255.3	11.2%
Total investment in securities and other financial assets	235,229.3	100.0%	233,697.2	100.0%

The following table sets out the distribution of the Bank's investment in securities and other financial assets divided by debt investments and equity investment as at the dates indicated.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Debt investments:				
Bond investments	75,504.9	32.1%	66,729.5	28.6%
Debt instruments issued by financial institutions[1]	159,259.0	67.7%	166,599.5	71.2%
Subtotal	234,763.9	99.8%	233,329.0	99.8%
Equity investment	465.4	0.2%	368.2	0.2%
Total investment in securities and other financial assets	235,229.3	100.0%	233,697.2	100.0%

Note:

(1) Includes fund trust scheme, funds and asset management plans.

As at 30 June 2020, the Bank's investment in debt instruments issued by financial institutions was RMB159,259.0 million, representing a decrease of RMB7,340.5 million or 4.4% as compared to the end of last year. The investments of this class as a percentage of total investment in securities and other financial assets decreased from 71.2% as at 31 December 2019 to 67.7% as at 30 June 2020.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Government bonds	32,017.1	42.4%	29,680.9	44.5%
Bonds issued by financial institutions	1,564.7	2.1%	4,319.6	6.5%
Corporate bonds	23,111.5	30.6%	18,491.1	27.7%
Bonds issued by policy banks	18,811.6	24.9%	14,237.9	21.3%
Total bond investments	75,504.9	100.0%	66,729.5	100.0%

3. Other components of the Bank's assets

Other components of the Bank's assets primarily consist of (i) cash and balances with the Central Bank, and (ii) due from banks and other financial institutions.

As at 30 June 2020, the Bank's cash and balances with the Central Bank increased by RMB32,500.4 million to RMB84,766.2 million, representing an increase of 62.2% as compared to the end of last year.

As at 30 June 2020, the Bank's due from banks and other financial institutions increased by RMB2,291.8 million to RMB6,017.0 million, representing an increase of 61.5% as compared to the end of last year, mainly because the Bank adjusted the proportion of such assets based on its capital and changes in liquidity in the market.

(II) Liabilities

As at 30 June 2020, the Bank's total liabilities were RMB586,048.8 million, representing an increase of RMB54,600.6 million or 10.3% as compared to the end of last year.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Due to customers	502,866.8	85.8%	431,361.7	81.2%
Due to banks[1]	25,963.0	4.4%	25,617.8	4.8%
Repurchase agreements	2,661.4	0.5%	18,361.7	3.5%
Debt securities issued	43,362.3	7.4%	45,962.8	8.6%
Due to Central Bank	4,339.1	0.7%	3,603.6	0.7%
Other liabilities[2]	6,856.2	1.2%	6,540.6	1.2%
Total liabilities[3]	586,048.8	100.0%	531,448.2	100.0%

Notes:

(1) Due to banks also includes borrowing from banks and other financial institutions.

(2) Other liabilities primarily consist of derivative financial liabilities, income tax payable and other tax payable, items in the process of clearance and settlement as well as staff salary payable.

(3) Of which, interest payable is accounted in each of the interest-bearing liabilities items but not in other discussions and analysis.

1. *Due to customers*

As at 30 June 2020, the Bank's total due to customers increased by RMB70,278.3 million to RMB495,962.0 million, representing an increase of 16.5% as compared to the end of last year. This increase was primarily attributable to the strengthening of pricing management, improvement of services and strengthening of marketing capabilities by the Bank.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Corporate deposits				
Demand deposits	123,174.5	24.8%	104,455.1	24.5%
Time deposits	106,964.0	21.6%	91,669.2	21.5%
Subtotal	230,138.5	46.4%	196,124.3	46.0%
Personal deposits				
Demand deposits	42,044.4	8.5%	44,577.7	10.5%
Time deposits	223,779.1	45.1%	184,981.7	43.5%
Subtotal	265,823.5	53.6%	229,559.4	54.0%
Total due to customers	495,962.0	100.0%	425,683.7	100.0%

2. *Due to banks*

As at 30 June 2020, the Bank's due to banks increased by RMB483.1 million to RMB25,686.2 million, representing an increase of 1.9% as compared to the end of last year, which reflected the Bank's adjustment of the portion of the amount due to banks in the liabilities based on market liquidity and the Bank's capital needs and in view of the need to match assets and liabilities.

3. *Repurchase agreement*

As at 30 June 2020, the Bank's repurchase agreement was RMB2,628.8 million, representing a decrease of RMB15,694.4 million or 85.7% as compared to the end of last year. The changes in the Bank's repurchase agreement reflected the adjustments to the scale of liabilities by the Bank in accordance with market liquidity and the Bank's capital needs.

4. *Debt securities issued*

As at 30 June 2020, the Bank's debt securities issued were RMB43,330.4 million, representing a decrease of RMB2,258.1 million or 5.0% as compared to the end of last year, which was mainly due to the maturity of certain debt securities issued by the Bank.

(III) Shareholders' Equity

As at 30 June 2020, the Bank's total shareholders' equity increased by RMB656.5 million to RMB52,297.7 million, representing an increase of 1.3% as compared to the end of last year. As at 30 June 2020, total equity attributable to shareholders of the parent company increased by RMB661.0 million to RMB50,487.7 million, representing an increase of 1.3% as compared to the end of last year. The increase in shareholders' equity was mainly attributable to the Bank's net profit realised in the first half of 2020.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Share capital	10,995.6	21.0%	10,995.6	21.3%
Reserves	19,219.0	36.7%	19,286.5	37.3%
Undistributed profits	20,273.1	38.8%	19,544.6	37.9%
Equity attributable to shareholders of the Company	50,487.7	96.5%	49,826.7	96.5%
Non-controlling interests	1,810.0	3.5%	1,814.5	3.5%
Total equity	52,297.7	100.0%	51,641.2	100.0%

IV. Off-balance Sheet Commitments

The following table sets out the contract value of the Bank's off-balance sheet commitments as of the dates indicated.

	As at 30 June 2020	As at 31 December 2019
		(In RMB million)
Credit commitments:		
Bank bills acceptance	25,922.2	19,489.6
Issued letters of guarantee	1,560.3	1,705.2
Issued letters of credit	2,595.7	2,634.1
Credit limit of credit card	20,210.3	19,056.8
Subtotal	50,288.5	42,885.7
Capital expenditure commitments	297.5	321.3
Treasury bond redemption commitments	2,430.0	3,333.0
Total	53,016.0	46,540.0

In addition, as at 30 June 2020, the amount involved in the significant outstanding legal proceedings against the Group (as defendant or third-party defendant) with a dispute amount of over RMB10 million was RMB41 million. There's little possibility of compensating the damages by the Group and hence no provision of impairment will be needed to be made. As at the date of this report, the Bank has no significant contingent liabilities. Details of off-balance sheet commitments contracts are disclosed in "Commitments and Contingent Liabilities" in the notes to financial statements of this report.

V. Analysis of Loan Quality

During the Reporting Period, the Bank adhered to the core philosophy of "create value through risk management", adhered to its customer-oriented concept, focused on meticulous risk management, continued to enhance the comprehensive risk management system, and practically strengthened the construction of intelligent risk control system throughout the whole process. The Bank continuously upgraded the assets portfolio, gradually adjusted the asset structure, and strengthened its efforts in the recovery of NPLs. During the Reporting period, the COVID-19 pandemic outbroke. The Bank actively responded to changes in the external business environment and pressure from economic slowdown, and persistently reinforced the risk prevention and control. As at 30 June 2020, the NPL ratio was 2.39%. The Bank adhered to the prudent and strict standard of asset categorization, the ratio of loans past due for more than 90 days to NPLs was 99.91%, constantly controlled within 100%. The standard of asset categorization continued to be stricter. The impairment losses on loans ratio was 3.17%, representing an increase of 0.13 percentage point as compared to the end of the last year. The ability of risk loss resilience was further enhanced.

(I) Distribution of Loans by Five-category Loan Classification

The following table sets out the Bank's loans and advances to customers in each category of the Bank's five-category loan classification as of the dates indicated.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Pass	261,314.4	93.4%	249,448.6	94.6%
Special mention	11,671.8	4.2%	8,904.0	3.4%
Substandard	3,415.8	1.2%	2,766.9	1.0%
Doubtful	2,661.7	1.0%	1,750.8	0.7%
Loss	611.9	0.2%	733.8	0.3%
Total loans and advances to customers	279,675.6	100.0%	263,604.1	100.0%
NPLs amount and NPL ratio[1]	6,689.4	2.39%	5,251.5	1.99%

Note:

(1) NPL ratio is calculated by dividing NPLs by total loans and advances to customers.

According to the five-category loan classification system, the Bank classified its NPLs into substandard, doubtful and loss categories.

(II) The Distribution of Loans and NPLs by Business Lines

The following table sets out the Bank's loans and NPLs by business lines as of the dates indicated.

	As at 30 June 2020			As at 31 December 2019		
	Loan amount	NPLs amount	NPL ratio	Loan amount	NPLs amount	NPL ratio
						(In RMB million, except percentages)
Corporate loans						
Loans to small enterprises	66,788.1	1,768.1	2.65%	59,357.8	1,283.1	2.16%
Other corporate loans excluding loans to small enterprises	90,486.5	2,288.8	2.53%	81,220.5	1,376.3	1.69%
Subtotal	157,274.6	4,056.9	2.58%	140,578.3	2,659.4	1.89%
Personal loans						
Loans to small enterprise owners	37,137.9	1,184.3	3.19%	38,300.0	1,270.3	3.32%
Personal consumption loans	65,252.0	914.8	1.40%	68,096.2	916.2	1.35%
Loans to farmers	16,672.3	533.4	3.20%	12,687.7	405.6	3.20%
Subtotal	119,062.2	2,632.5	2.21%	119,083.9	2,592.1	2.18%
Discounted bills	3,338.8	–	–	3,941.9	–	–
Total	279,675.6	6,689.4	2.39%	263,604.1	5,251.5	1.99%

In the first half of 2020, the NPL ratio of the Bank's corporate loans increased to 2.58%, while the NPL ratio of the Bank's personal loans increased to 2.21%, primarily attributable to the fact that under the impact of the COVID-19 pandemic, enterprises suffered tight capital chain and decline in solvency due to the postponement of resuming production, and asset quality declined as the repayment ability of individuals has weakened as a result of the sharp decline in personal income. The Bank actively responded to this problem by, on the one hand, implementing relevant requirements of the regulatory authorities and adopting various means, such as adjustment of repayment methods and deferred payment for corporates and individuals affected by the pandemic, to help enterprises overcome the difficulties. On the other hand, the Bank focused on the whole process management of loans and strengthened the NPLs management throughout life cycles of loans. The head office and branches collaborated across business lines, strengthened the management accountability for problematic loans and NPLs and intensified the disposal and write-offs of loans.

(III) The Distribution of Loans and NPLs Classified by Industry

The following table sets out the distribution of the Bank's loans and NPLs by industry as of the dates indicated.

	As at 30 June 2020				As at 31 December 2019			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
							(In RMB million, except percentages)	
Agriculture, forestry, husbandry and fishery	1,559.9	0.6%	137.3	8.80%	1,741.0	0.7%	137.2	7.88%
Mining	86.7	0.0%	2.0	2.31%	99.9	0.0%	3.0	3.00%
Manufacturing	7,844.7	2.8%	1,071.0	13.65%	7,789.2	3.0%	880.7	11.31%
Production and supply of electricity, heating, gas and water	3,468.3	1.2%	50.0	1.44%	2,292.8	0.9%	62.7	2.73%
Construction	8,533.9	3.1%	605.4	7.09%	7,734.0	2.9%	444.7	5.75%
Transportation, storage and postal services	3,450.5	1.2%	42.8	1.24%	3,958.6	1.5%	126.9	3.21%
Information transmission, software and information technology services	385.6	0.1%	27.9	7.24%	398.4	0.2%	0.1	0.03%
Wholesale and retail	35,030.7	12.5%	1,287.5	3.68%	34,834.8	13.2%	575.7	1.65%
Accommodations and catering	3,666.6	1.3%	46.2	1.26%	3,675.1	1.4%	52.4	1.43%
Finance	704.2	0.3%	4.2	0.60%	820.7	0.3%	1.0	0.12%
Real estate	35,983.0	12.8%	263.7	0.73%	29,666.0	11.3%	152.6	0.51%
Leasing and commercial services	45,049.5	16.1%	476.1	1.06%	35,644.3	13.3%	106.6	0.30%
Scientific research and technological services	175.6	0.1%	2.8	1.59%	187.9	0.1%	4.7	2.50%
Water conservation, environment and public utility management	9,926.6	3.5%	20.0	0.20%	10,061.2	3.8%	103.5	1.03%
Residential, repair and other services	139.9	0.1%	11.0	7.86%	148.0	0.1%	7.6	5.14%
Education	245.0	0.1%	3.2	1.31%	277.2	0.1%	–	–
Health and social work	709.8	0.3%	–	–	941.2	0.4%	–	–
Culture, sports and entertainment	314.1	0.1%	5.8	1.85%	308.0	0.1%	–	–
Total corporate loans	157,274.6	56.2%	4,056.9	2.58%	140,578.3	53.3%	2,659.4	1.89%
Total personal loans	119,062.2	42.6%	2,632.5	2.21%	119,083.9	45.2%	2,592.1	2.18%
Discounted bills	3,338.8	1.2%	–	–	3,941.9	1.5%	–	–
Total	279,675.6	100.0%	6,689.4	2.39%	263,604.1	100.0%	5,251.5	1.99%

As at 30 June 2020, the NPLs of corporate loans of the Bank concentrated in wholesale and retail and manufacturing, with NPLs of RMB1,287.5 million and RMB1,071.0 million, respectively. The high NPL ratio was mainly because most of the customers in the wholesale and retail industries are small enterprise customers as the Bank adhered to a microcredit strategy. The COVID-19 pandemic has had a greater impact on wholesale and retail industries since the beginning of the year. Enterprises' postponement of resuming production has caused a shortage of cash flow and increased overdue cases. Meanwhile, some large state-owned manufacturing enterprises went bankrupt for restructuring and the Bank put greater efforts to take proceedings against existing customers with potential risks. As a result, the above industries accounted for main proportion of NPLs. The Bank actively adjusted its industry and regional structure of loans, stepped up efforts to exploit the potential of the existing customers, investigated the potential risks of existing customers ahead of schedule, proactively took risk prevention measures, continuously stepped up effort to judicially dispose of NPLs, strengthened the mitigation measures on state-owned enterprise and government platforms, strictly controlled new customers, actively disposed existing NPLs and improved asset quality.

(IV) The Distribution of Loans and NPLs by Geographical Region

The following table sets out the distribution of the Bank's loans and NPLs by geographical region as of the dates indicated.

	As at 30 June 2020				As at 31 December 2019			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
							(In RMB million, except percentages)	
Heilongjiang region	115,799.2	41.4%	3,193.3	2.76%	106,676.6	40.5%	2,553.2	2.39%
Other regions in Northeastern China	44,290.0	15.8%	384.2	0.87%	41,994.8	15.9%	535.7	1.28%
Southwestern China	56,445.0	20.2%	1,069.1	1.89%	52,226.7	19.8%	731.4	1.40%
Northern China	44,798.7	16.0%	1,709.8	3.82%	42,702.9	16.2%	1,267.5	2.97%
Other regions	18,342.7	6.6%	333.0	1.82%	20,003.1	7.6%	163.7	0.82%
Total	279,675.6	100.0%	6,689.4	2.39%	263,604.1	100.0%	5,251.5	1.99%

As at 30 June 2020, affected by the COVID-19 pandemic, the NPL level of the Back in all regions increased, except that in other regions in Northeastern China. After the optimisation of the credit asset structure in Heilongjiang for many years, the Bank grew its agricultural loan assets and its regional assets in Harbin and prudently grew the assets in other areas in Heilongjiang other than Harbin. The NPL ratio in other regions in Northeastern China decreased by 0.41 percentage point to 0.87%. The Bank will continuously optimise its regional credit resource structure. The regions with high risk-adjusted returns will be given priority in the credit resource allocation in support of national and regional policies.

(V) The Distribution of Loans and NPLs by Collateral

The following table sets out the distribution of the Bank's loans and NPLs by collateral as of the dates indicated.

	As at 30 June 2020				As at 31 December 2019			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
							(In RMB million, except percentages)	
Unsecured loans	48,083.9	17.2%	729.2	1.52%	45,981.7	17.4%	723.6	1.57%
Guaranteed loans	76,577.3	27.4%	2,718.9	3.55%	67,935.4	25.8%	2,050.1	3.02%
Collateralised loans	132,568.5	47.4%	3,160.8	2.38%	128,209.9	48.7%	2,343.2	1.83%
Pledged loans	22,445.9	8.0%	80.5	0.36%	21,477.1	8.1%	134.6	0.63%
Total	279,675.6	100.0%	6,689.4	2.39%	263,604.1	100.0%	5,251.5	1.99%

During the Reporting Period, the Bank made dynamic responses to changes in the economic environment and raised the controllability of ultimate risk on loan. Collateralised and pledged loans accounted for 55.4% of the total, being the largest proportion. The Bank admitted good quality collaterals and increased the clients' default costs through the collateral risk evaluation system and precise collateral classification management. Although the NPL ratio of collateralised loans increased, the ultimate risk was under control. In the first half of 2020, with the further improved differentiated risk pricing system based on clients' contribution, the Bank ensured high risk and high return and customers with high risk could be eliminated through the risk pricing mechanism. Hence, the gain was able to offset the risk despite a higher NPL ratio of guaranteed loans. In addition, the guarantees provided to the related customers, distant customers and private guarantee companies were carefully selected and strict quota management was implemented by the Bank during the year, while new mutual guarantees and joint guarantees for loan were prohibited.

The Bank continued to strengthen its intelligent risk control system construction, strengthened the application of big data in risk management and control, deepened cooperation with institutions including third-party credit reporting agencies, and made full use of the Central Bank's credit scores and other data to monitor customers' post-loan behaviours dynamically so as to prevent and control credit risk in a timely and accurate manner, and aggressively write off and dispose of NPLs. The NPL ratio of unsecured loans decreased by 0.05 percentage point to 1.52% as compared to the end of last year.

(VI) Concentration of Borrowers

As of 30 June 2020, the Bank was in compliance with the lending limit of 10% of the Bank's net capital to any single borrower. The following table sets out, as at 30 June 2020, the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance, none of which was a NPL.

		As at 30 June 2020		
	Industry	Loan balance	% of total loans	% of net capital
			(In RMB million, except percentages)	
Borrower A	L—Leasing and commercial services	3,370.6	1.20%	5.42%
Borrower B	K—Real estate	3,000.0	1.07%	4.82%
Borrower C	F—Wholesale and retail	2,091.0	0.75%	3.36%
Borrower D	K—Real estate	1,800.0	0.64%	2.90%
Borrower E	N – Water conservation, environment and public utility management	1,755.8	0.63%	2.83%
Borrower F	K—Real estate	1,750.0	0.63%	2.82%
Borrower G	L—Leasing and commercial services	1,687.5	0.60%	2.72%
Borrower H	K—Real estate	1,646.2	0.59%	2.65%
Borrower I	L—Leasing and commercial services	1,594.0	0.57%	2.56%
Borrower J	L—Leasing and commercial services	1,565.0	0.56%	2.52%
Total		20,260.1	7.24%	32.60%

(VII) Overdue Loans and Advances to Customers

The following table sets out, as of the dates indicated, the distribution of the Bank's loans and advances to customers by maturity.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Current loans and advances	260,428.4	93.1%	249,863.5	94.8%
Loans and advances past due:[1]				
For 1 to 90 days	12,563.5	4.5%	8,574.6	3.3%
For 91 days to 1 year	3,642.0	1.3%	3,292.5	1.2%
For 1 year and above	3,041.7	1.1%	1,873.5	0.7%
Subtotal	19,247.2	6.9%	13,740.6	5.2%
Total loans and advances to customers	279,675.6	100.0%	263,604.1	100.0%

Note:

(1) Loans to customers with specific repayment date are classified as overdue when the principal or interest becomes overdue.

As at 30 June 2020, the overdue loans accounted for 6.9% of the total loans, the majority of which were loans within 90 days overdue, accounting for 4.5% of the total loans, primarily attributable to, among others, slower capital turnover as affected by the COVID-19 in the first half of 2020, resulting in the capital chain tension and increasing temporary overdue. The Bank conducted the whole process management of loan granting. The extension management, sales and recovery of existing loans were strengthened. For the customers with potential risks, quota reduction, enhanced mitigation and comprehensive credit package design were strengthened to prevent the asset quality decline of the loan extension business in the future. During the year, the Bank adopted relatively strict classification criteria and intensified management and control on risk assets, resulting in the ratio of loans past due for more than 90 days to NPLs reaching 99.91%. The asset classification truly reflected the actual asset quality.

(VIII) Movements of Allowance for Impairment Losses on Loans

Pursuant to the requirements of IFRS 9, the Bank made use of "expected credit loss model" for the measurement of impairment of underlying financial assets. The Bank adhered to the prudence principle and made provision for impairment losses on loans in the full amount. As at 30 June 2020, impairment losses on loans amounted to RMB8,875.9 million, which increased by RMB867.5 million as compared to the end of last year. The impairment losses on loans ratio was 3.17%, which increased by 0.13 percentage point as compared to the end of last year.

Movements of allowance for impairment losses on loans are as follows:

Items	**As at 30 June 2020**	**As at 31 December 2019**
		(In RMB million)
Balance at the beginning of the period	8,008.4	7,469.1
Exchange difference	0.0	0.0
Charged during the period	2,902.0	3,686.2
Accreted interest on impaired loans	(66.0)	(78.5)
Write-offs and transferred	(2,017.7)	(3,103.6)
Recoveries of loans and advances previously written off	49.2	35.2
Balance at the end of the period	8,875.9	8,008.4

VI. Segment Report

(I) Geographical Segment Report

The description of the geographical areas of the Bank is as follows:

Heilongjiang region:	Head Office, branches in Harbin, Shuangyashan, Jixi, Hegang, Suihua, Daqing, Qitaihe, Mudanjiang, Jiamusi, Qiqihar, Yichun and Nongken, as well as HB Leasing, HBCF and village and township banks operating within Heilongjiang;
Other regions in Northeastern China:	Branches in Dalian and Shenyang, as well as village and township banks operating in Northeastern China excluding the ones in Heilongjiang;
Southwestern China:	Branches in Chengdu and Chongqing, as well as village and township banks operating mainly in Sichuan and Chongqing and located in Southwest region;
Northern China:	Branches in Tianjin, as well as village and township banks operating mainly in Beijing and Tianjin and located in Northern China;
Other regions:	Village and township banks operating in regions other than those listed above.

The table below sets out certain key financial indicators of the Bank's head office and branches in each of the geographical regions for the periods indicated.

	Mainland China					
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Northern China	Other regions	Total
						(In RMB million)
For the six months ended 30 June 2020						
Operating income	4,605.6	956.6	1,349.3	736.0	193.4	7,840.9
Operating expenses	(1,328.0)	(135.3)	(212.6)	(90.5)	(67.6)	(1,834.0)
Impairment losses	(2,250.8)	(317.5)	(177.5)	(753.4)	(87.6)	(3,586.8)
Operating profit	1,026.8	503.8	959.2	(107.9)	38.2	2,420.1
As at 30 June 2020						
Segment assets	476,688.9	45,502.9	59,273.9	46,686.0	10,194.8	638,346.5
Segment liabilities	437,787.3	35,256.3	55,934.1	48,428.3	8,642.8	586,048.8

	Mainland China					
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Northern China	Other regions	Total
						(In RMB million)
For the six months ended 30 June 2019						
Operating income	4,111.3	844.4	1,416.4	838.0	214.5	7,424.6
Operating expenses	(1,367.3)	(155.5)	(234.7)	(106.8)	(89.4)	(1,953.7)
Impairment losses	(1,512.9)	(465.5)	(152.5)	(493.1)	(37.1)	(2,661.1)
Operating profit	1,231.1	223.4	1,029.2	238.1	88.0	2,809.8
As at 30 June 2019						
Segment assets	475,768.1	37,987.9	54,688.5	45,068.5	9,921.7	623,434.7
Segment liabilities	418,807.7	51,203.8	61,346.9	33,626.5	8,358.4	573,343.3

The table below sets out the Bank's operating income by geographical regions and their proportion to the Bank's total operating income for the periods indicated.

	For the six months ended 30 June			
	2020		2019	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Heilongjiang region	4,605.6	58.7%	4,111.3	55.3%
Other regions in Northeastern China	956.6	12.2%	844.4	11.4%
Southwestern China	1,349.3	17.2%	1,416.4	19.1%
Northern China	736.0	9.4%	838.0	11.3%
Other regions	193.4	2.5%	214.5	2.9%
Total operating income	7,840.9	100.0%	7,424.6	100.0%

(II) Business Segment Report

The table below sets out the Bank's total operating income by business segments for periods indicated.

	For the six months ended 30 June			
	2020		2019	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate finance business	3,456.2	44.1%	2,872.5	38.7%
Retail finance business	2,100.4	26.8%	2,373.8	32.0%
Financial institutions business	2,251.5	28.7%	2,163.3	29.1%
Other businesses	32.8	0.4%	15.0	0.2%
Total operating income	7,840.9	100.0%	7,424.6	100.0%

VII. Analysis of Capital Adequacy Ratio

The Group continued to optimise its business structure and strengthen capital management, and as at 30 June 2020, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 10.08%, 10.10% and 12.30%, respectively, which were in line with the regulatory requirements during the transition period provided in the Measures for the Administration of Capital of Commercial Banks (for Trial Implementation) issued by the CBIRC, which decreased by 0.14 percentage point, 0.14 percentage point and 0.23 percentage point, respectively, as compared to the end of last year. The decrease in capital adequacy ratio was mainly due to the increase in risk-weighted assets and distribution of cash dividends.

In accordance with the Measures for the Administration of Capital of Commercial Banks (for Trial Implementation) issued by the CBRC, the capital adequacy ratio of the Bank was calculated as follows:

	As at 30 June 2020	As at 31 December 2019
	(In RMB million, except percentages)	
Core capital	51,249.2	50,527.3
Core Tier 1 Capital deductible items:		
Full deductible items	(282.3)	(306.7)
Net core tier 1 capital	50,966.9	50,220.6
Net other tier 1 capital	101.5	93.3
Net tier 1 capital	51,068.4	50,313.9
Net tier 2 capital	11,078.1	11,277.3
Net capital	62,146.5	61,591.2
Credit risk-weighted assets	471,843.7	456,457.3
Market risk-weighted assets	6,336.4	7,814.3
Operational risk-weighted assets	27,205.0	27,205.0
Total risk-weighted assets	505,385.1	491,476.6
Core tier 1 capital adequacy ratio	10.08%	10.22%
Tier 1 capital adequacy ratio	10.10%	10.24%
Capital adequacy ratio	12.30%	12.53%

VIII. Business Operation

The principal businesses of the Company comprise the provision of banking services such as deposit, loan, payment and settlement, as well as other approved businesses.

(I) Retail Finance Business

The retail finance business of the Company is positioned as a focus of the Company's strategic transformation, which centers on digital inclusive finance to promote the transformation of its retail finance business. While serving wealth management and family wealth planning customers, the Company consolidated the existing elderly customers and cultivated customers of younger generation and scenario finance customers, achieving new breakthroughs in the building of charity brand and customer market positioning. The Company accelerated the construction of smart banking through measures including the optimisation and iteration of products, characteristic layout of the branches and business, customer relationship management with digitalisation and big data application, "online + offline" channel synergy and other measures. Through the optimisation of business processes, improvement of operational efficiency and provision of standardised quality services, the Company created a considerate retail service brand to promote the sustainable and high-quality development of its retail finance business.

In the first half of 2020, the Bank continued to improve its pricing mechanism and system construction of the retail finance business, as well as enhance the risk pricing capability, therefore creating a new profit model. During the Reporting Period, the retail finance business of the Bank recorded a profit before tax of RMB353.9 million, accounting for 14.6% of the profit before tax of the Bank, and an operating income of RMB2,100.4 million, representing a year-on-year decrease of 11.5% and accounting for 26.8% of the operating income of the Bank.

Retail customers

Facing new trends in the economy, the Company pays attention to the improvement of customer service and the enrichment of the service channels, captures customers' diversified financial demands and establishes a new customer value-added service system in order to comprehensively optimise retail customers' experience. The Company provides financial and non-financial services with "warmth" and the services are provided based on scenario-based customer groups and customization-based customer segmentation. With the help of big data financial technology applications, a normalised and digitalised marketing support and enabling system is established. For livelihood services, the Company undertook the issue of social security cards for Harbin to promote the implementation of the "internet + human resources and social security" program in Harbin. Online healthcare security payment, enquiry and notice and exclusive value-added services for social security customers were able to be provided through the Company's online channels. As at 30 June 2020, the Company had 13,369.7 thousand retail deposit customers, representing an increase of 210.7 thousand customers or 1.6% as compared to the beginning of the year. The number of retail deposit customers with personal financial assets (in RMB and other currencies) over RMB50,000 amounted to 817.6 thousand, representing an increase of 63 thousand customers or 8.35% as compared to the beginning of the year.

Retail deposits

The Company provides demand and time deposits service to retail customers based on statutory interest rate and the floating interest rate range, which are mostly denominated in RMB with only a small portion denominated in foreign currencies. As at 30 June 2020, the total retail deposits of the Company amounted to RMB265,823.5 million, representing an increase of RMB36,264.1 million or 15.8% as compared to the end of last year. The average balance of retail deposits amounted to RMB246,918.5 million, representing a year-on-year increase of RMB78,083.7 million or 46.2% as compared to the end of last year. Demand deposits accounted for 15.8% of retail customer deposits balance. According to the statistics provided by the Harbin branch of the PBOC, the balance of retail deposits of the Harbin branch of the Company ranked first in the local market with a market share of 19.0% during the Reporting Period, representing an increase of 0.7 percentage point as compared to the end of the last year. The increase in retail deposits of 6 branches ranked first in their local markets.

Retail loans

During the Reporting Period, upholding its featured development strategy of "microcredit", the Company leveraged its advantages in the comprehensive value of retail loans with the "customer-oriented" approach to contribute for the Company's brand and value, depending on scenario-based model for major retail business, primarily residence scenario and supplemented with health, education, culture and entertainment, consumption, transportation and finance scenarios. The Company constantly applied the concept of big data and mobile internet and focused on groups of customers who had house(s), scenario-based customer groups and existing customer groups with high loyalty. The Company optimised and upgraded the operation model of "touch net" based on the "full life cycle" demand of customers, realised a full-product on-line operating system for retail loans, and promoted the new experience of "Internet +" through the practice of precision marketing to secure a huge number of customers through means of exploring the existing customers and third-party platforms docking. The Company also introduced the use of artificial intelligence and big data to strengthen the ability of anti-fraud and risk prevention and control, identification, and early warning. The Company also deepened the application of retail internal assessment results in the whole business process, established a dynamic optimisation and adjustment mechanism of credit rating and decision making engine and continuously improved the "model + rules" smart decision-making mechanism, which in turn further enhanced the efficiency of decision making and risk control capabilities of the retail loan business of the Company.

As at 30 June 2020, the balance of the Bank's personal loans reached RMB119,062.2 million, representing a slight decrease from the end of last year and accounting for 42.6% of the Bank's total loans to customers, of which the balance of loans to small enterprise owners, personal consumption loans and loans to farmers amounted to RMB37,137.9 million, RMB65,252.0 million and RMB16,672.3 million, respectively, accounting for 31.2%, 54.8% and 14.0%, respectively, of the Bank's total personal loans.

Bank cards

As at 30 June 2020, the number of debit cards issued by the Company recorded a steady increase, reflecting a good development trend in debit card business. The total number of issued debit cards reached 16.8225 million, of which 251.6 thousand were newly issued during the Reporting Period.

As at 30 June 2020, the total number of credit cards issued by the Company reached 1,142.1 thousand, representing an increase of 6.9% as compared to the end of last year, of which 73.4 thousand were newly issued during the Reporting Period, representing a decrease of 54.2% as compared to the number of new cards issued in the same period of last year. The credit card asset balance amounted to RMB13.90 billion, representing an increase of 14.6% as compared to the same period of last year.

Wealth management business

The wealth management business of the Company revolves around the appreciation of the value of customers' family wealth management. The Company continues to diversify its product offerings, widens its online sales channels, with a focus on the financial scenarios such as healthcare for the elderly, children and education. The Company provides integrated services deeply within the community, and dedicates itself to providing professional, convenient and high-quality wealth management service to customers' families. As at 30 June 2020, the Company realised total sales of personal wealth management products of RMB49.242 billion.

(II) Corporate Finance Business

In the first half of 2020, in the face of the severe challenges brought by the COVID-19 pandemic and under the enormous pressure of the macroeconomic situation, the Company's corporate finance business closely focused on the theme of "steady improvements" with "restructuring and transformation" as its main goal. The Company actively implemented the service philosophy of being "customer-oriented", realized the optimization and upgrade of the corporate deposit marketing mechanism, and further deepened the basis for customer cooperation. The Company put more efforts in supporting companies during the pandemic, supported the development of the local real economy, and created a customer comprehensive financial service system with full life cycle, forming an integrated and comprehensive financial service pattern with "quick response to customer needs, service plans with collaborated design, and coordinated advancement of financial services".

During the Reporting Period, the corporate finance business of the Bank recorded a profit before tax of RMB1,052.6 million, accounting for 43.5% of the profit before tax of the Bank; and an operating income of RMB3,456.2 million, representing an increase of 20.3% as compared to the same period of last year and accounting for 44.1% of the operating income of the Bank.

Corporate customers

By leveraging the Company's strengths in cross-regional operation and outlet resources and closely following the direction of the national strategy, the Company adhered to customer-orientation and practicably satisfied the financing demand of customers during the pandemic, continuously improved product innovation and comprehensive service capabilities and actively strengthened the cross-selling service model of the Company + investment bank and the Company + micro and small enterprises + retail, realising precise marketing to core customers and comprehensive financial service management. In particular, the Company carried out active marketing to key projects and enterprises such as Heilongjiang Province's "Ten Thousand Million Projects (百千萬工程)", "Top Hundred Projects (百大項目)" and "Business and Employment Stabilisation (穩企穩崗)", to optimise its customer structure and elevate the service level for key customers. The Company also deepened the customer service model of "professional team, professional solutions, special products, and exclusive process", improved the strategic customer management mechanism and service system, deepened cornerstone customer cooperation, and consolidated the core customer base. As at 30 June 2020, the Company had 85 thousand corporate deposit customers.

Corporate deposits

During the Reporting Period, the Company proactively carried out green deposit marketing and continued to optimise its debt structure. The Company improved its institutional customer service system, strengthened business cooperation with governments at various levels, and increased the size of institutional deposits. It seized the favourable opportunity arising from the issue of special bonds by local governments to promote bond fund supervision, put more efforts to grow its customer base, took action to attract large groups of customers, increased customers loyalty, cultivated core customers in debt; strengthened the promotion of key products, and improved settlement deposit precipitation. During the pandemic, the Company continued to have account opening appointments and improved its online service capabilities to meet various settlement needs of customers. As at 30 June 2020, the company balance of the Bank amounted to RMB230,138.5 million, representing an increase of RMB34,014.2 million or 17.3% as compared to the end of last year.

According to the statistics provided by the Harbin branch of the PBOC, as at the end of the Reporting Period, the balance of corporate deposits of the Harbin branch of the Company accounted for 14.0% of corporate deposits in the local market, and ranking first in the local market.

Corporate loans

During the Reporting Period, in the face of the sudden pandemic, the Company firmly insisted the business philosophy of "Inclusive Finance, Harmonious Co-enrichment (普惠金融 和諧共富)" by establishing an emergency financial service team in the first place, organising a corporate business financial services designated team, and launching innovative measures such as the "Anti-pandemic Online Services Plan" and "Seven Financial Measures to Fight the Pandemic Together". By optimising anti-pandemic financial services and implementing policies for resuming work and production, the Company gave full play to the role of financial support and protection in the fight against the pandemic. The Company also actively promoted the implementation of a series of policy measures such as the PBOC's small enterprises supporting re-lending program, and the "top hundred projects" and the "business and employment stabilisation" in Heilongjiang Province to increase credit supply to various industries and various enterprises, increase its support for anti-pandemic supplies production enterprises, the private sector, and micro and small enterprises, and actively perform its corporate social responsibilities. As at 30 June 2020, the total corporate loans of the Company amounted to RMB157,274.6 million, representing an increase of 11.9% as compared to the beginning of the year and accounting for 56.2% of total loans. Being conscious of observing the risk baseline, the Company kept the overall quality of its corporate loan assets under control, and, as at 30 June 2020, the balance of NPLs of corporate loans amounted to RMB4,056.9 million, and the NPL ratio was 2.58%.

Intermediary services

During the Reporting Period, the Company continued to strengthen its management of intermediary business by combining market environment with policy guidance, focusing on the diverse financial service needs of customers, actively promoting the construction of corporate payment and settlement product systems and platforms, and improving corporate online banking, mobile banking, treasury management platforms and bill pool product function. The Company strived to build a comprehensive financial service system integrating payment, settlement, cash management and value-added service, and continuously improved the Company's customer service capabilities. During the Reporting Period, the corporate finance business of the Company recorded a non-interest income of RMB177.0 million.

(III) Financial Market Business

For financial market business qualification, the Company is a Class A settlement member of the national interbank bond market in China, a participant bank in the time deposit of commercial banks for central treasury cash management, a member of the underwriting syndicate of financial bonds of China Development Bank and Agricultural Development Bank of China, a member of the underwriting syndicate of electronic savings bonds of the Ministry of Finance, a member of the underwriting syndicates of local government bonds of Heilongjiang Province, Sichuan Province, Liaoning Province, Tianjin municipality, Dalian municipality and Chongqing municipality, a quoting bank of China Bond Valuation, a member of the SHIBOR quoting syndicate of National Interbank Funding Center, a deposit cooperative bank of the National Council for Social Security Fund, a member of the council for the National Debt Association of China and a member of the underwriting syndicate of debt financing instruments of non-financial enterprises. The Bank has multiple business qualifications including standing facilities, derivative transactions and as a Rouble market maker.

For product innovation, during the Reporting Period, the Company was engaged in, among other things, bond lending and mutual fund investment, to replenish its product line in the financial market and set up a more diverse and operable product system for the financial market.

During the Reporting Period, the Bank successfully issued the first special interbank deposit certificate for pandemic control and prevention in Heilongjiang province. By issuing preferential interest rate loans to the pandemic prevention and control and livelihood guarantee industries, the Bank actively responded to the call of the Party Central Committee and the State Council to reduce the financing costs of the real economy, establishing a responsible corporate image.

During the Reporting Period, financial institutions businesses of the Bank recorded an operating income of RMB2,251.5 million with a year-on-year increase of 4.1%, accounting for 28.7% of the operating income of the Bank.

Bond Investments and Transactions

During the Reporting Period, as affected by multiple factors including the outbreak of the pandemic domestically and internationally, the intensive introduction of global fiscal and monetary policies, and the uncertainty of economic fundamental recovery, the interbank yield fluctuated widely, bringing harsh challenges to investors in the market. The Bank maintained strategic determination, paid close attention to economic environment and market changes, strengthened judgment of market interest rate trends, and dynamically adjusted bond investment structure. By accurately grasping the rhythm of transactions, decisively implementing trading strategies and obtaining excess disposal returns, the Bank effectively increased the comprehensive yield level of bond investments. Moreover, the Bank actively participated in the underwriting of policy financial bonds and local government bonds, and supported the development of the real economy through bond investment.

As at 30 June 2020, the total investments in bonds of the Bank amounted to RMB75,504.9 million, representing an increase of RMB8,775.4 million or 13.2% as compared to the end of last year. The bond overall income achieved RMB1,752 million, among which the spread of gains on disposal amounted to RMB256 million, representing a year-on-year increase of RMB43 million or 20.19%, hitting its historical high. The comprehensive yield of bond assets amounted to 5.58%, representing an increase of 18BP as compared to last year.

Investment banking business

During the Reporting Period, the Company closely monitored the changes in economic environment and market, closely followed the national policies and regulatory guidelines, continuously increased the investment in standardised products, rationally deployed asset allocation, thus overcame the difficulties brought by the pandemic, and effectively supported the real economy in overcoming difficulties. As at 30 June 2020, total investment in debt instruments issued by financial institutions amounted to RMB159,259.0 million, representing a decrease of 4.4% as compared to the end of last year.

In January 2020, the investment banking business of the Company continued to gain market recognition for its remarkable performance, winning the Debt Financing Plan Business "Forge Ahead Award" of Beijing Financial Assets Exchange (北京金融資產交易所債權融資計劃"銳意進取"獎).

Wealth management business

During the Reporting Period, the Company issued 126 wealth management products, raising funds amounting to RMB50,969 million in total. As at 30 June 2020, the balance of non-principal protected wealth management products amounted to RMB62,470 million, among which the balance of the existing net-value wealth management products amounted to RMB14,019 million, accounting for 22.44% of the balance of all wealth management products. The Company recorded stable growth in the number of wealth management customers, which reached 891.2 thousand as at the end of the Reporting Period, representing an increase of 9.75% as compared to the end of last year.

The Company strictly complies with the requirements of the latest asset management regulations and wealth management regulations and other regulatory systems, continues to promote the transformation of its wealth management business, continuously improves product innovation capabilities, optimises the issuance management of wealth management products, and continues to enrich the net-value wealth management product system. During the Reporting Period, the Company issued a variety of closed and open public-offered and private-offered net-value wealth management products with different maturities to meet the demand of retail and corporate customers, focusing on completing the establishment of the "fixed income +" product series, and successfully issued several "fixed income based equity enhanced" net-value wealth management products that had a term of more than 1 year to meet the diversified investment demands of segmented customer groups with enriched fundamental asset allocation.

During the Reporting Period, the Company was awarded the "2019 Excellent City Commercial Bank for Banking Wealth Management Registration (2019年度銀行業理財登記工作優秀城商行獎)" issued by the National Banking Wealth Management Registration & Depository Center (全國銀行業理財登記託管中心). The Company has been awarded by the National Banking Wealth Management Registration & Depository Center for four consecutive years.

(IV) Key Featured Businesses

1. Microcredit business

During the Reporting Period, the Bank adhered to the development philosophy of "Inclusive Finance, Harmonious Co-enrichment" and continued to promote the implementation of the microcredit development strategy. Guided by the microcredit strategy and adhering to the "customer-oriented" principle, the Bank comprehensively improved business capabilities, strengthened risk prevention and control, innovated management methods, and developed a microcredit business brand with the microfinance service as its core business. As at 30 June 2020, the balance of the Bank's microcredit loans reached RMB185,850.3 million, representing an increase of RMB7,408.6 million as compared to the end of last year and accounting for 66.5% of the Bank's total loans to customers.

The following table sets out the distribution of the balance of microcredit loans by product type as of the dates indicated.

	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Loans to small enterprises	66,788.1	35.9%	59,357.8	33.3%
Personal loans	119,062.2	64.1%	119,083.9	66.7%
Total balance of microcredit loans	185,850.3	100.0%	178,441.7	100.0%

Small and micro enterprise finance business

During the Reporting Period, adhering to the microcredit strategy and the "customer-oriented" principle, the Bank opened up the "online + offline" product and service layouts for microfinance, built a professional microfinance team, accelerated the digitalisation transformation of microfinance, provided microfinance customers with a full range of financial services that integrate "professional team, exclusive solutions, and dedicated channels", and continued to improve its small and micro financial client service capabilities.

During the Reporting Period, the Bank closely followed the economic trend, implemented the whole-process risk management, refined default and early warning characteristic indicators, and continued to improve the active risk management mechanism for small and micro businesses by way of white list screening, internal assessment system optimisation, whole-process internal control layout and early warning screening.

During the Reporting Period, the Bank deepened product and service innovation, launched "anti-pandemic loans for small and micro enterprises (小微抗疫貸)" financial products and strengthened financial service protections during special periods to fulfil its corporate social responsibilities, practiced the inclusive finance philosophy of providing "warmth and emotional support (有溫度、有情懷)", and further enhanced the influence of its small and micro financial brand.

As at 30 June 2020, the balance of the Bank's loans to small enterprises amounted to RMB66,788.1 million, representing an increase of 12.5% as compared to the end of last year. The balance of NPLs for the small enterprises was RMB1,768.1 million and the NPL ratio was 2.65%.

Consumer finance business

During the Reporting Period, the Company continued to carry out the philosophy of "Inclusive Finance" by establishing an all-rounded comprehensive consumer finance service (product) system, and expanded the platform for quality business cooperation, enriched product lines and improved customer experience. By centering on strategic planning and accelerating the integration of internet big data technology and traditional financial services, the Company integrated online and offline and expanded the inclusiveness of consumer finance services so as to improve the coverage of consumer finance scenarios and customers. With its connection to external quality channels and data, the Company further optimised its existing risk management model and approaches in order to improve the overall risk management of its consumer finance business and control the overall business risk. During the Reporting Period, the Company significantly improved its core competencies in consumer finance business, including big data risk control, intelligent operation capabilities and refined management capabilities, further accelerating the process of digitalisation transformation.

As at 30 June 2020, the balance of the Bank's personal consumption loans amounted to RMB65,252.0 million.

2. Sino-Russia financial services

During the Reporting Period, the Company continued to claim the Sino-Russia financial services as one of the Bank's strategies by leveraging the advantages in financial resources of the Sino-Russia financial service, and thus maintained its leading position in Sino-Russia financial services among its domestic peers.

In 2015, the Company, as the Chinese promoter and the chairing company, together with Sberbank of Russia initiated the establishment of the first platform for the cooperation and interaction among financial institutions of China and Russia, namely the Sino-Russia Financial Council. There were 35 founding members, and the number of members has grown to 72 during the Reporting Period. The Council is committed to improving the Sino-Russian cross-border financial cooperation mechanism, upgrading the cross-border financial cooperation model, and enhancing the participation of financial institutions of the two countries in large-scale cross-border industrial projects; promoting the innovation and improvement of Russian financial services, and further improving the service level and influence of the Sino-Russian financial market. Due to its contribution to the promotion of Sino-Russian cross-border financial cooperation, the Sino-Russia Financial Council has been included in Article 10 of the Joint Statement of the Eighth Sino-Russian Dialogue Between Ministers of Finance (第八次中俄財長對話聯合聲明) issued by China and Russia for the first time. The Article states "China and Russia welcome the financing support provided by the Sino-Russia Financial Council for Sino-Russian project cooperation to promote Sino-Russian cross-border financial cooperation", which is a high recognition toward the Sino-Russia Financial Council by both Chinese and Russian authorities.

During the Reporting Period, the members of the Sino-Russia Financial Council led by the Company realized full withdrawal of cross-border RMB syndicated loans with Russia's second largest private bank, Credit Bank of Moscow, as the borrower, and the funds were used to support Sino-Russian economic and trade exchanges under the "the Belt and Road Initiative". The Company cooperated with Russian commercial banks in Rouble deposit interbank business, which has broadened the scope of cooperation between the Company and the systematic important banks and mainstream commercial banks in the Russian Federation, and enriched Rouble capital allocation channels. In addition, the Company opened a Euro settlement account with the Russian chairman unit of the Sino-Russia Financial Council and the largest state-owned commercial bank of the Russian Federation, the Federal Reserve Bank, to open up a direct channel for Euro settlement with Russia. The Company also signed the "Renminbi Purchase and Sale Business Cooperation Agreement" with 2 Russian members of the Sino-Russia Financial Council to promote the process of RMB internationalisation. As at 30 June 2020, the total interbank credit granted by the Company to Russian banks amounted to approximately RMB8 billion, and the Company had 23 Russia accounting banks with domestic and foreign currency settlement network covering the entire of the Russian Federation, which played an important role in the development of Sino-Russia financial cooperation.

During the Reporting Period, the Company further assisted the development of the Heilongjiang Pilot Free Trade Zone, facilitated the cross-border transportation of cash to Russia in the Free Trade Zone, actively promoted the opening of the transportation route for the transportation of cash in and out of Russia from the Free Trade Zone, and obtained the PBOC's approval for cross-border transportation of RMB cash from the Suifenhe Port in Heilongjiang Province to Russia. At the same time, the Company entered into the "Cooperation Agreement of Cross-border Cash Transportation" with Russia's second largest state-owned commercial bank, the Foreign Trade Bank, to further expand the scope of cash transportation services to Russia, innovatively provide counterparties with cash transportation access to many inland cities in Russia, and enrich the types of the Company's cross-border cash transportation services to Russia. As at 30 June 2020, the Company handled a total of 25 cross-border transportation of RMB cash, totalling RMB362 million. In addition, the Company cooperated with franchised institutions for personal domestic and foreign currency exchange, broadened the Rouble currency exchange channels and provided them with full process services integrating Rouble price market forecast, daily price quote, account management, foreign currency exchange, and cash transportation, thus has further improved the Rouble cash business system.

During the Reporting Period, the Company handled the first NRA account settlement business in the Heilongjiang Pilot Free Trade Zone; launched Sino-Russia featured exchange rate hedging product with the T+1/T+2 settlement and sale of Rouble exchange to meet the needs of customers to lock foreign exchange in advance and help Chinese enterprises effectively hedge exchange rate risks; held an online promotion conference for featured Sino-Russia financial products and explained to Chinese enterprises the four major financial comprehensive services plans: cross-border settlement, exchange rate hedging, NRA accounts and cross-border financing. In addition, during the pandemic, the Company leveraged its financial advantages with Russia to open up cross-border financial green channels for companies, provide financial convenience for the international settlement of pandemic prevention supplies import and export as well as the pandemic prevention donation funds business, etc., and provide discounts such as favourable rate of the settlement and sale of exchange and the reductions and exemptions of commission fee for anti-pandemic supplies procurement companies, making every effort to help foreign trade companies fight the impact of the pandemic and resume work, production and market in a timely manner.

During the Reporting Period, the Company maintained its activity in Rouble transactions and consecutively ranked first in the ranking of the best Rouble price quotes in the interbank foreign exchange market for many months.

Cross-border E-commerce payment and settlement

The cross-border E-commerce financial business of the Company maintained its robust development and constantly enriched the variety of Sino-Russia online settlement products. During the Reporting Period, online channels for the Russian World Card were launched, which constantly enhanced the Company's capabilities to provide Sino-Russia online services. It was the first domestic commercial bank to align and cooperate with the Russian World Card channel. The platform now supports more than ten foreign payment tools including international credit cards such as MASTERCARD, JCB and MIR, mainstream electronic wallets in Russia such as YANDEX, WALLET ONE and Russian online bankings. During the Reporting Period, the platform served aggregately 2,584 cross-border E-commence customers and increased the volume of transaction settlement by RMB698 million. The aggregate transaction settlement volume for cross-border E-commence reached RMB15.0 billion and the income generated from the intermediary business amounted to RMB9.4784 million. The platform continued to be included under the management of the National Major Construction Project Repository of the National Development and Reform Commission as a major construction project of "the Belt and Road Initiative".

3. Agriculture-benefiting finance business

During the Reporting Period, the Company deeply implemented the national strategic direction of "Rural Revitalisation", and effectively promoted the high-quality development of modern agriculture. By strengthening innovation and leading and gathering resource elements, the Company continued to cultivate new momentum for the development of agriculture-benefiting finance, and basically achieved comprehensive agriculture-benefiting service in agricultural reclamation areas and rural areas in the province, and featured agriculture-benefiting services in some urban and rural combination areas outside the province, which had made new contributions to the Company's brand and value enhancement.

During the Reporting Period, while adhering to the "customer-oriented" principle, the Company innovated and customised "full-cycle, all-rounded" agriculture-benefiting services, efficiently applied the "agriculture-benefiting white list" to implement batch and accurate credit granting, and made every effort to expand the customer groups in large-scale farming and raising households in the province and featured agriculture-benefiting customer groups from outside the province. The Company deeply implemented the comprehensive service concept of "resource integration + scenario integration", and successfully set up the first batch of "large-scale farmers benefiting clubs" in Heilongjiang Province, and built an agriculture-related service ecosystem based on "agriculture-benefiting loans + farm machinery rental + farmer wealth management + agricultural technology training"; comprehensively developed "agriculture-benefiting technology" and realised full online agriculture-benefiting functions including "online application, online authorisation, automatic approval, electronic contract signing, online withdrawal and repayment"; promoted the realisation of "agricultural reclamation + rural" full online smart finance, which allows farmers to enjoy "loans at their fingertips" without leaving their homes during the pandemic; expanded and developed comprehensive agriculture-benefiting finance service team, unleashed and enhanced the diverse service capabilities of the agriculture-benefiting team and further implemented the cultural and social responsibilities of "agriculture-benefiting".

As at 30 June 2020, the balance of the agricultural loans of the Company amounted to RMB40,111 million, and the balance of the loans to farmers amounted to RMB16,672.3 million. The agriculture-benefiting financial service covered the majority of rural villages of 11 cities in Heilongjiang Province and 61 farms of 6 major Agricultural Cultivation Bureau and some important districts and counties of Shenyang, Tianjin, Chengdu and Chongqing areas which locate outside the province. The Company greatly promoted the economic development of county areas and the prosperity of rural financial markets, and supported the rural areas to achieve comprehensive revitalisation.

(V) Related Party Transactions as Defined by the CBIRC

During the Reporting Period, the Bank conducted related party transactions with major shareholders of the Bank, their controlling shareholders, de facto controllers and related parties as defined by the CBIRC (collectively, the "**major shareholders and their related parties**"), within the scope of normal operation of the Company. The terms and conditions and pricing of the transactions were in line with the general requirements of the Bank's business management and the requirements of the regulatory authorities. The transactions were not conducted in terms more favourable than those provided to other borrowers or counterparties. The business procedures also met the relevant requirements of the regulatory authorities and the Bank's related party transaction management rules. During the Reporting Period, all the related party transactions conducted between the Bank and its major shareholders and their related parties, their concert parties and the ultimate beneficiaries were ordinary related party transactions and there was no significant related party transaction.

The major shareholders of the Bank as defined by the CBIRC are shareholders who hold or control more than 5% of the Bank's shares or voting rights, or shareholders who hold less than 5% of the total capital or total shares of the Bank, but have significant influence on the Bank's operations and management.

During the Reporting Period, the related party transactions between the Bank and the Bank's major shareholders and their related parties were mainly deposit, credit transactions and capital transactions, all of which were performed normally, and did not have a negative impact on the Bank's operating results and financial position.

1. Information of the related parties

Information of the related parties conducted related party transactions with the Bank during the Reporting Period

Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Economic Development and Investment Company Limited	Major shareholder	Limited liability company	Financial investments in fixed-assets of municipally-owned enterprises and others and receipt of dividends in return.	Zhang Xianjun	Harbin City	RMB2,307.5220 million
Heilongjiang Financial Holdings Group Co., Ltd.	Major shareholder	Limited liability company	Investment and asset management and capital investment services; non-public offering of securities investment funds; holding company services; and financial information services.	Yu Hong	Harbin City	RMB13,600.00 million

Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Daoli Real Estate Operation and Property Management Co., Ltd. (哈爾濱道里房產經營物業管理有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Direct and entrusted management of real estate operation and management, property management, heat supply and collection of related fees as an agent; heat supply energy saving technology development services, centralized heat supply project for the preparation, construction and installation of GB type GB(2) grade pressure pipes (for branch operations only); pipeline installation (excluding pressure pipes), plastic steel window production and installation.	Zhang Qiang	Harbin City	RMB10.00 million
Harbin Daowai Real Estate Operation and Property Management Co., Ltd. (哈爾濱道外房產經營物業管理有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Real estate operations, property management, heat supply.	Sun Ruzheng	Harbin City	RMB5 million
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Centralized heat supply; property management and collection of related fees as an agent.	Gao Baikuan	Harbin City	RMB50.00 million
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Heat supply and property management for urban residents and industrial and commercial properties; warehousing (excluding dangerous goods).	Shen Zhitong	Harbin City	RMB553.341 million
Harbin Taiping Real Estate Property Operation Co., Ltd. (哈爾濱市太平房產物業經營有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Real estate operation (public housing management, rent management, real estate replacement), heat supply, property management; maintenance of heat supply facilities and equipments; providing heat supply facilities and insulation materials for subsidiaries; cleaning: heat supply pipes, heaters; sewage cleaning.	Qin Yong	Harbin City	RMB5 million

Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Property Heating Supply Group Co., Ltd. (哈爾濱物業供熱集團有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Property management, heating source and heating network construction, real estate operation and management, heating supply production, and car park operation and management.	Zhao Zhifeng	Harbin City	RMB687.811 million
Harbin Xiangfang Property Heat Supply Co., Ltd. (哈爾濱香坊物業供熱有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Operations of state-owned real estate and real estate under entrusted management, property management, house heating supply, house repair, road transportation of ordinary cargo, loading, unloading and carrying services for ordinary cargo, ordinary cargo warehousing services (excluding dangerous chemicals and toxic goods).	Na Haitao	Harbin City	RMB12.8424 million
Harbin Junxin Financing Guarantee Co., Ltd. (哈爾濱均信融資擔保股份有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Other joint stock company	Financing guarantee business	Li Mingzhong	Harbin City	RMB600.60 million
Heilongjiang University Student Startup Financing Guarantee Co., Ltd. (黑龍江省大學生創業融資擔保有限公司)	A related party of the Bank's major shareholder Heilongjiang Financial Holdings	Limited liability company	Financing guarantee business: including loan guarantee, bonds issuance guarantee and other financing guarantee business; non-financial guarantee business: including tender guarantee, construction contract performance guarantee, litigation preservation guarantee and other non-financing guarantee business; service business including consultation related to guarantee business; other businesses in compliance with the laws and regulations	Gu Tiaojiao	Harbin City	RMB200.00 million

Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Heilongjiang Agricultural Financing Guarantee Co., Ltd. (黑龍江省農業融資擔保有限責任公司)	A related party of the Bank's major shareholder Heilongjiang Financial Holdings	Limited liability company	Providing guarantee-related credit enhancement services for various business entities engaged in agriculture in accordance with the law, agriculture-related financing guarantee, re-guarantee, bonds issuance guarantee, tender guarantee, prepayment guarantee and contract performance guarantee; financing consultation, financial advisory and other intermediary services related to agriculture; investment in agricultural projects with self-own funds, and other businesses as regulated by the regulatory authorities.	Tan Zhiqiang	Harbin City	RMB6,580.30 million

2. Deposit transactions with the major shareholders and their related parties

As at the end of the Reporting Period, Harbin Economic Development, a major shareholder of the Bank, together with its related parties had a deposit balance amounted to RMB14,895.8470 million in the Bank. Heilongjiang Financial Holdings and its related parties had a deposit balance amounted to RMB1,838.8141 million in the Bank.

3. Credit transactions with the major shareholders and their related parties

(1) On-balance sheet transactions

During the Reporting Period, there were a total of 35 loan and investment transactions conducted between related parties of Harbin Economic Development (a major Shareholder of the Bank), including Harbin Daoli Real Estate Operation and Property Management Co., Ltd., Harbin Daowai Real Estate Operation and Property Management Co., Ltd., Harbin Jinshanbao Heat Supply Co., Ltd., Harbin Huaneng Centralized Heat Supply Co., Ltd., Harbin Taiping Real Estate Property Operation Co., Ltd., Harbin Property Heating Supply Group Co., Ltd., Harbin Xiangfang Property Heat Supply Co., Ltd., and Harbin Junxin Financing Guarantee Co., Ltd., and the Bank with a transaction amount totaling RMB1,340.50 million. The amount of each single transaction was less than 1% of the net capital of the Bank. As at the end of the Reporting Period, Harbin Junxin Financing Guarantee Co., Ltd. conducted guarantee transactions with the Bank with a guarantee balance of RMB4.1717 million. The aggregate credit balance granted to Harbin Economic Development and its related parties amounted to RMB1,823.5717 million, accounting for 3.31% of the net capital of the Bank. During the Reporting Period, all the related party transactions conducted between Harbin Economic Development and its related parties and the Bank were ordinary related party transactions.

During the Reporting Period, there were a total of 37 loan transactions conducted between Heilongjiang Financial Holdings, a major shareholder of the Bank, and the Bank, with a transaction amount totaling RMB416.9784 million. The amount of each single transaction was less than 1% of the net capital of the Bank. As at the end of the Reporting Period, Heilongjiang University Student Startup Financing Guarantee Co., Ltd. and Heilongjiang Agricultural Financing Guarantee Co., Ltd., each a related party of Heilongjiang Financial Holdings, conducted guarantee transactions with the Bank with a total guarantee balance of RMB467.7046 million. As at the end of the Reporting Period, the aggregate credit balance granted to Heilongjiang Financial Holdings and its related parties amounted to RMB884.683 million, accounting for 1.61% of the net capital of the Bank. During the Reporting Period, all the related party transactions conducted between Heilongjiang Financial Holdings and its related parties and the Bank were ordinary related party transactions.

(2) Off-balance sheet transactions

During the Reporting Period, Harbin Huaneng Centralized Heat Supply Co., Ltd. (a related party of Harbin Economic Development, a major shareholder of the Bank), conducted 1 bill acceptance transaction with the Bank with a transaction amount of RMB6.0 million, which was an ordinary related party transaction.

(VI) Information on Controlling Subsidiaries

1. Village and township banks

As at 30 June 2020, the Company had a controlling interest in 32 village and township banks and 43 village and township sub-branches, which were mainly located in the eastern, central and western regions of China. As at 30 June 2020, the total assets of the 32 village and township banks amounted to RMB23,350 million, of which the total amount of loans amounted to RMB13,838 million, representing an increase of 2.46% from the end of last year and the balance of deposit amounted to RMB18,614 million, representing an increase of 14.78% from the end of last year.

All village and township banks have thoroughly implemented the overall strategy of the Group. Centring on the "four adherences", namely localisation, lower stream expansion, specialised operation and the market positioning of serving the "Agriculture, Rural Areas and Farmers" and small and micro enterprises, the 32 village and township banks, through product innovation and service culture construction, considering the development features at different development stages of the village and township banks with innovative business development and management evaluation models, gradually formulated a unique culture, philosophy, management mode and working procedures, which enhanced the core competitiveness and made significant contributions to the overall development of the Company.

2. *HB Leasing*

During the Reporting Period, HB Leasing made some achievements in respect of asset scale, accumulated investments, business innovation model etc., and initially maintained a leading position in domestic leasing market to farmers. As at 30 June 2020, the total assets of HB Leasing amounted to RMB26,509 million, representing an increase of 6.68% as compared to the end of last year. The accumulated investments of its leasing business during the Reporting Period amounted to RMB6,810 million.

During the Reporting Period, HB Leasing continued to assist agricultural mechanisation and modernization, combined the strategic orientation of sinking the focus of financial services and the transformation of retail business, and continued to focus on the retail agricultural machinery leasing business. HB Leasing actively integrated the upstream and downstream resources and needs of core agricultural machinery manufacturers, distributors, and farmers, and extended the service chain with its unique advantages of "fund financing + machine financing". It built a farmer agricultural machinery business model supported by the retail business technology system, deepened the creation of "agricultural machinery +" supply chain financial services and differentiated brand characteristics, formed a retail business implementation path "based on business scenarios, centering on rental products, supported by technological systems", and continuously enriched the support scenarios and operating functions of agricultural machinery retail business systems.

In order to help farmers seize the critical period of ploughing preparation in spring, in accordance with the guidance of "contactless service" of the regulatory department, HB Leasing quickly established an emergency mechanism to support machines purchase financing for spring ploughing preparation. Focusing on four key areas, namely product design, process optimisation, technology empowerment, and training and improvement, HB Leasing created a "zero-contact rental service model" to achieve both pandemic prevention and control and spring ploughing preparations. On the basis of the original agricultural machinery leasing business, it actively cooperated with "internationally well-known and domestic first-class" agricultural machinery manufacturers such as Case of the United States, Horsch of Germany, Dongfanghong, Lovol, etc., to design differentiated financing schemes. At the same time, while adhering to the bottom line of compliance, HB Leasing optimised process efficiency, improved service quality and efficiency, and made full use of customer facial identification, electronic contract signing and other functions to realise the online processing of leasing business application, approval and lending, so that farmers can enjoy cloud leasing without leaving their home.

HB Leasing has always been based on serving the industry and commerce, positioning itself as a "well-known financial leasing service provider for agriculture-related and green environmental protection", focusing on maintaining operation efficiency through management, actively creating new income source, and putting great efforts into developing the agricultural machinery leasing business. Through leasing of special products and innovation in businesses, HB Leasing adheres to the characteristic, differentiated and specialised development path, and commits to becoming a first-class domestic bank financial leasing company with "distinctive business characteristics, scientific corporate governance, outstanding location advantages, complete product system, strict risk prevention and control, and leading management technology".

3. *HBCF*

HBCF is the 19th licensed consumer financial company in China, with the Company as its major founder and a registered capital of RMB1.5 billion. Capitalising on the extensive experience in product, customer and technology that the Group has accumulated across over a decade of in-depth operation in micro credit business, and leveraging the Group's resource advantages in big data, internet finance and diverse business scenarios, HBCF delves deep into the consumption scenarios, targets potential groups such as credit card users with a revolving characteristics and the middle class, the emerging white-collar and the youth with stable income, and focuses its efforts on building a consumer financial service platform that features asset creation and output. As at 30 June 2020, the total assets of HBCF amounted to RMB8,932 million, representing an increase of 20.90% as compared to the end of last year.

By adhering to the philosophy of customer-orientation and with efficient service as its objective, HBCF is dedicated to creating a domestic first-class consumer financial platform flagship driven by financial technology with outstanding core strength, sustainable profitability and healthily growing scale, while continues to build an efficient, intelligent, warm and trustworthy consumer financial brand.

(VII) Distribution Channels

1. *Physical Network*

As at 30 June 2020, the Company had a total of 304 branch outlets, including 17 branches, 285 sub-branches, 1 branch-level financial service centre for small enterprises and 1 headquarters business department. In addition, the Company had controlling interest in 32 village and township banks, 43 village and township sub-branches, 1 consumer finance company and 1 financial leasing company.

2. *Electronic banking*

The Company has gradually built up an electronic service system combining online means such as mobile phone banking, online banking, WeChat banking, phone banking and offline self-service terminals. E-channels have become the main business channels of the Company. As at 30 June 2020, the replacement rate of business transactions through the Company's electronic banking reached 94.48%, and that of mobile banking reached 63.04%, representing an increase of 1.48 percentage points and 2.04 percentage points as compared to the end of last year, respectively.

(1) Self-service banking

The Company has provided various convenient services to customers through self-service terminals, including deposit and withdrawal, account inquiry, passbook updating, bill payment, wealth management, QR code withdrawal, passcode changing and transfer services. While enriching the equipment functions, the Company made scientific arrangement and assignment of the use of self-service terminals of customers, thus enhancing the management efficiency of self-service terminals of the Company. As at 30 June 2020, the Bank had 1,319 self-service terminals, including 484 BCDMs, 310 ATMs, 232 smart cabinets, 191 non-cash super counters, 87 multi-media inquiry machines and 15 card issuance machines.

(2) Online banking

The Company continues to optimise the functions of online banking. Currently, personal online banking provides customers with account services, transfer and remittance, loan management, investment and wealth management, credit card, special services and other functions, including the provision of personal online banking with enlarged fonts to further optimise the experience of elderly users, as well as the addition of foreign exchange business function to support the online development of Sino-Russia customized featured business, while corporate online banking provides customers with account management, transfer and remittance, issuing and paying for others, investment and wealth management, electronic commercial drafts, bill pools, treasury management and other functions. As at 30 June 2020, a total of 3,523.0 thousand customers maintained their online banking accounts with the Company, representing an increase of 11.04% as compared to the end of last year. Among them, 3,428.0 thousand were personal online banking customers and 95.0 thousand were corporate online banking customers.

(3) Phone banking

The Company provides 24-hour telephone banking services to customers through the unified national customer service hotline 95537, which includes account inquiries, bill payment, credit card business, verbal report of card loss, operator inquiry and outgoing calls. During the Reporting Period, in the first half of 2020, the telephone banking customer service centre recorded a total of 1,212.0 thousand business calls, representing a decrease of 1.44% as compared to the same period of last year.

The Company provides services including credit card consultancy, complaint and advice, reporting for loss and instalment through the unified national customer service hotline for credit card 4006695537. In the first half of 2020, the credit card customer service centre recorded a total of 850.1 thousand business calls, representing a decrease of 7.62% as compared to the same period of last year.

(4) Mobile phone banking

The Company continued to expand the functions of mobile phone banking business. Mobile phone banking offered various transaction functions for its customers, including account management, investment and wealth management, transfers and remittance, credit cards and loans, and provided featured services including micro finance area, social security, provident fund, health and medical care and transfers via mobile number. Meanwhile, the Company further improved the establishment of the ecological scenarios of mobile phone banking, and launched cloud payment functions and various services including online free medical consultations, online contract signing, and connecting to dedicated account managers with one click, so as to meet customer needs during the pandemic. It also enriched the means of smart security certification on mobile banking by launching the voiceprint recognition certification tool, providing customers with a more comprehensive security certification service. As at 30 June 2020, the Company had 2,291.6 thousand active mobile banking users, representing an increase of 17.94% as compared to the end of last year.

(5) WeChat banking

The Company's WeChat banking has stretched banking services from traditional offline channels to finger tips of customers, which opens featured functions such as account change notifications, social security inquiry and supplementary payment, palm wealth management, credit card inquiry and repayment, loan application and branch inquiry on WeChat platform. Moreover, it provides value added daily-life services, such as medical insurance payment, provident fund services, online medical registration and diagnosis, payroll inquiry, and charging and bill payment services. As at 30 June 2020, WeChat banking had over 2,658.1 thousand followers, representing an increase of 4.35% as compared to the end of last year.

(VIII) Information Technology

During the Reporting Period, adhering to the service philosophy of "Science and technology stand by your side", the Company's technology line put the fundamental principles of "planning first, problem orientation, and adaptation to needs" into practice. Guided by the enhancement of financial technology capabilities, operation and maintenance capabilities, information security capabilities, structure management and control capabilities, and independent controllability, the Bank sped up the innovation of its management mechanism, research and development of key projects, and the development of fundamental capabilities. During the Reporting Period, various key information technology systems operated smoothly. The Company made steady progresses with technology governance, financial technology, data governance and information security, achieving satisfying results.

1. Continuously optimizing technology governance system

During the Reporting Period, the Company continued to optimise its technology governance system, strengthened the role of the IT Management Committee as a professional decision-making committee, optimised the review process of technology matters, reshaped the responsibilities and positioning of the technology line, and pushed forward the implementation of a new research and development system, striving to create a new technology management pattern featuring efficient collaboration, effective checks and balances, agile research and development and common development. Meanwhile, adaptive revision and improvement of structural management, software development costs, project management and systems were carried out to comprehensively promote the enhancement of IT governance capabilities.

2. Continuously promoting infrastructure construction and improving support for business continuity

During the Reporting Period, the Company continued to promote the construction of disaster recovery systems of the three centres in two regions. In response to the disaster recovery requirements of important systems as concerned by regulatory authorities, and based on the actual needs for the construction of capabilities of key business systems against error, the Company took measures such as utilising old items to obtain maximum capabilities of key systems against error and disaster with minimal resource input, so as to ensure compliance with regulatory requirements and production safety. The Company also carried out localisation of infrastructure simultaneously and accelerated its progress of infrastructure localisation by starting with key information.

3. Steadily improving the application capability of financial technology

During the Reporting Period, the Company established a highly coordinated work mechanism between the technology and business departments based on the principles of parallel negotiation and synchronised work, and efficiently promoted the implementation of financial technology needs, fulfilling a total of 770 needs. Grasping the actual needs of customers for online financial services during the pandemic and utilising financial technology, the Company rapidly improved its online, intelligent and automated service capabilities. The function of online contract signing for retail credit was added to the mobile banking channel, which facilitated the progress of delivering products and services through online channels. Online registration, credit card application, loan application and other functions were added for social security customer group so as to increase its overall contribution. The parameter configuration and production of RPA (Robotic Process Automation) structured deposit products were completed, realising the landing of the first batch of RPA business scenarios.

4. Significant increase in capabilities of technology self-development

During the Reporting Period, the Company relied on the implementation of independent projects to continue to strengthen the controllability of research and development. It independently implemented the "Government-Enterprise Express" project of the Business Bureau, and realised the interconnection of the government and enterprises for enterprise account opening with one-stop appointment. Relying on the ESM technology platform (enterprise service management platform), the Company completed the development of its recruitment system and realised its online recruitment management, thus significantly enhancing its independent technological service capabilities. Meanwhile, the Company continued to expand the scope of self-developed systems. Three new self-developed products were developed as compared to the end of 2019, and the number of self-developed systems increased to 49.

5. Accelerated promotion of data governance

During the Reporting Period, the Company comprehensively promoted the implementation of its data governance plan and safeguarded the construction of systems with the support of systems, procedures, methods and tools. Based on the principle of "going for the basics first and improving later", the Company fully promoted the Bank's digital transformation, and focused on improving data quality of the source system with customer information as the starting point. With resource allocation optimisation as a means of management and control, the Company rolled out 193 reports, which greatly improved service efficiency. Applying the concept of efficient collaboration of business and technology, it has achieved initial results in the data application field in terms of the construction of a unified view of retail customer information, customer loss alert model and loan-on-loan model.

6. Constantly enhancing data security capability

During the Reporting Period, there was no material information security incident at the Company. The Company combined the data governance work plan to focus on strengthening data security management, strengthened monitoring, management and control in areas such as production data operation activities audit, website content tamper-proofing, application interface security, PC terminal data leakage prevention, and online remote office during the COVID-19 pandemic, which further ensured the confidentiality, completeness, and availability of the Bank's data, offering effective support for the development of online and financial services.

IX. Risk Exposure and Management

In 2020, in the face of the sudden COVID-19 pandemic, while taking into account the growth rate, the Bank put more emphasis on the quality of development, firmly established the core concept of "risk management creates value", and insisted on returning to the basics and sticking to the nature of the Bank. It insisted on giving priority to customer value contribution, continued to deepen the precise management and rigid control of risks, focused on the concept of proactive risk management and risk operation, and made full use of financial technology to continuously optimise smart risk control system. The Bank focused on the in-depth application of risk management in the management of customers' whole life cycle to ensure stable asset quality, achieving overall controllability of risks under the premise of supporting sustainable business development.

(I) Credit Risk

Credit risk refers to the Bank's risk of economic losses caused by a debtor or a counter-party failing to fulfil his obligations under the contract or credit quality changes affecting the value of the financial products. The Bank's credit risks exist mainly in loan portfolios, investment portfolios, guarantees, commitments and other on- and off-balance-sheet exposures. The Bank executes a unified risk appetite in credit risk management and controlled risk within an acceptable range, in order to achieve a higher risk return and realise the identification, measurement, monitoring and control of credit risk.

During the Reporting Period, the Bank solidly advanced the credit risk management level and promoted the construction of intelligent risk control system, conducted deep mining of valuable data through risk management means via the application of big data, and gradually built a smart risk engine system with comprehensive and active management philosophy to enhance the digitalisation, automation, process, specialisation and centralisation of the risk management process.

The Bank actively expanded the source of external data, introduced external high-quality data, and promoted the implementation of big data risk control. It promoted the optimisation of retail models, allocated various retail business risk control rules and strategies, put into production a "Joint Loan" risk control decision-making system, optimised third-party data risk control rules, continuously improved anti-fraud early warning models, and improved fraud and credit risk identification capabilities. In addition, it continued to optimise the non-retail internal assessment model to improve the application coverage of the internal assessment system, continued to strengthen the construction of the collateral risk valuation system and the collateral risk value assessment work, independently established an in-line collateral risk valuation database and continuously improved the database iteration speed. The Bank built a database of agricultural loan land management rights and continuously improved the automated evaluation capabilities by independently developing an automated valuation model for office buildings and an automated evaluation model for commercial buildings. The Bank also strengthened its risk policy guidance, established differential management standards for proactive management of the transmission of risk concepts, continued to deepen the structure of existing customers, strictly controlled the risks of new customers, realised the optimisation of the asset allocation across the Bank, and maintained the asset quality at a stable and controllable level.

(II) Liquidity Risk

Liquidity risk refers to the risk of commercial banks failing to acquire sufficient funds at reasonable cost in time in order to pay the due debt, fulfil other payment obligations or meet other capital requirements for normal operation. The Bank attaches great importance to the management of liquidity risk. The Bank strives to maintain a sound balance between safety and efficiency by adopting prudential, diversified and coordinated strategies.

During the Reporting Period, in response to the changes in external market condition, the Bank adopted prudential, effective liquidity risk management measures, thus effectively identifying and accurately measuring liquidity risk with appropriate monitor and proper control. The Bank actively adjusted the structure of assets and liabilities, expanded diversified financing channels, strengthened communication with counterparties, and actively participated in medium-term lending facility and open market operations of the Central Bank. The Bank also stabilised the source of liabilities, expanded and consolidated general deposits, and implemented multiple measures to ensure stable growth of core deposits. The Bank realised the refined allocation of assets and liabilities by continuously improving the refined and precise risk management strategies, improving the frequency and efficiency of cash flow analysis through technical means including stress testing, strengthening the dynamic prediction of the entire Bank's liquidity, accurately measured the liquidity gap, and reasonably calculated the daily changes in assets and liabilities. Moreover, the Bank enlarged the reserve of high-quality liquid assets to ensure that the Bank's overall liquidity risk is under control.

(III) Market Risk

Market risk refers to the risk of loss on the Bank's on- and off-balance sheet businesses as a result of adverse changes in market prices (interest rates, exchange rates, stock and commodity prices). The market risks currently faced by the Bank are interest rate risk and exchange rate risk. The Bank's objective of market risk management is to maximise risk-adjusted revenue while limiting the potential losses arising from market risk within a reasonably acceptable level based on the Bank-wide risk preference. The Bank actively and properly responded to the changes in market trends, and continued to put greater efforts on market risk control. The Bank also gradually promoted the refined measurement on market risk, and continuously improved its market risk management level.

Interest rate risk refers to the risk of loss on the Bank's on-and-off balance sheet businesses as a result of adverse changes in interest rates. As to the transaction book interest rate risk, during the Reporting Period, the Bank revaluated the market value of assets under the Bank's trading accounts on a daily basis, continually optimised the market risk quota system, regularly monitored each quota indicator, and conducted sensitivity analysis, duration analysis, PVBP analysis, historical VaR and stress VaR calculations to market risk and position with reference to actual situation, keeping the market risks of the Bank under effective prevention and control and ensuring its overall interest rate risk level within the acceptable scope. As to the bank book exchange rate risk, during the Reporting Period, the Bank continued to increase the research and judgment on trends of the market interest rate, proactively adjusted the structure of assets and liabilities, and constantly optimised the interest rate risk exposure. The Bank measured the Bank's book interest rate risk through reasonable use of gap analysis, scenario simulation and other methods. The Bank, through the simulation of interest rate fluctuation scenarios, analysed the impact on its net interest income and economic value, thereby reasonably measuring the Bank's book interest rate risk.

Exchange rate risk refers to the risk of loss in the Bank's on- and off-balance sheet businesses as a result of adverse changes in exchange rates. The Bank's exchange rate risk exists mainly in its foreign currency related trading and non-trading businesses, including foreign currency loans, foreign currency deposits, proprietary foreign exchange trading and foreign exchange settlement and sale on behalf of customers. During the Reporting Period, the Bank continuously optimised the foreign exchange limit management system, set transaction limits, stop-loss limits and exposure limits to conduct foreign exchange risk management on foreign exchange transactions, and closely monitored and assessed the impact of changes in the domestic and foreign market environment on the foreign exchange business of the Bank in a timely manner, in order to intensify the daily monitoring and control. The Bank used foreign exchange exposure analysis, VaR analysis and other measurement methods to reasonably measure exchange rate risk levels, continued to optimise the structure of monetary assets, effectively maintained the risk-benefit balance of the overall foreign exchange assets, and improved the effectiveness and pertinence of exchange rate risk management.

(IV) Operational Risk

Operational risk refers to the risk of loss arising from flawed or problematic internal procedures, and loss caused by staff, IT systems, and external events. Operational risk includes legal risk, but excludes strategic risk and reputation risk. The Bank's three defence lines to manage operational risk are separate and independent. Under a unified operational risk appetite, the Bank established a full set of operational risk management system, covering relevant corporate governance structures, policies and systems, management tools, measurement methods and information system, which would effectively prevent occurrence of events of high operational risk.

During the Reporting Period, the Bank further promoted the substantive application of the three major tools of operational risk. As for key risk indicators (KRI), the Bank re-assessed its KRIs regularly. As for loss data collection (LDC), the Bank increased its efforts at data collection, further expanded the channels and range of LDC and conducted multi-dimensional investigations into loss events, analysing in depth the reason behind such losses and making timely rectifications to prevent such risk from recurring. As for risk and control self-assessment (RCSA), for new products, new businesses and process for material changes, the Bank established the RCSA assessment mechanisms for new products and new businesses and constructed a triggering assessment mechanism for key risk exposures, serving as a precaution from flawed measures of internal control and ensuring that the operational risks are effectively mitigated. The Bank also established and gradually improved a standardised risk review process for resignation, and promoted the implementation of the suspension and resumption points mechanism across the Bank, so as to effectively improve the refined management of operational risk.

(V) Information Technology Risk

Information technology risk refers to operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of the Bank's usage of information technology.

During the Reporting Period, the Bank had included management of information technology risk into its general risk management system and established an information technology governance organisation structure with reasonable division of labour, clear responsibilities, mutual checks and balances, and clear reporting relationships. At the implementation level, the Bank regularly conducted information technology risk identification, evaluation, monitoring and measurement through the use of management tools such as risk and control self-assessment, key risk indicators, and loss event collection. In the first half of the year, the Bank's operation and maintenance centre established online technology service channels. During the pandemic prevention and control, through 7*24 hours online office system, the Bank coordinated the linkage processing of various systems to quickly satisfy business needs and address issues. The Bank continuously optimised and improved business impact analysis and methodology, establishing a set of scientific and systematic tools as well as analysis and evaluation standards that met the Bank's actual business conditions. The Bank regularly conducted self-assessment on the management level of the business continuity, conducted emergency combat drills in relation to the information system, and ensured that the Bank shall continue to operate on an ongoing basis. Meanwhile, in addition to the continuous quantified project service evaluation on the outsourcers' project service quality, as well as constant monitoring of the services provided by the outsourcers, the Bank also conducted testing of service support capabilities of the outsources so as to improve the Bank's outsource risk management ability.

(VI) Compliance Risk Management

Compliance management is a core risk management activity of the Bank. The Board assumes ultimate responsibility for the compliance of the Bank's operating activities, and the Board of Supervisors supervises the compliance risk management. The Bank had built comprehensive and effective compliance risk management system, consolidated the three defensive lines for compliance risk management, and achieved effective identification and management of compliance risk through continuous improvement and optimisation of its compliance risk management as well as a higher risk management standard.

During the Reporting Period, the Bank formulated and executed a risk-based compliance management plan and deepened the work mindset of integrated "prevention, control, examination and correction", thereby improving the refined standard for internal control compliance and optimising the comprehensive internal control risk management system which adapted to business development and transformation. The Bank strove to realise the foundation of compliance management, actively optimised the compliance system and mechanism construction, strengthened the professional capacity building of the compliance management team of the headquarters and branches, enhanced the professionalism of the compliance management team and strictly prevented and effectively resolved compliance risk; it placed emphasis on the transmission of various regulatory policies as well as system and regulations, and by leveraging the professional advantages, vigorously promoting the construction of intelligent risk control system and emphasising the substance of risks, and through pre-involved business research and development, product development and process design, it strongly supported and promoted business innovation and sound development of the Bank at different dimensions; continuously and intensively promoted special governance, risk investigation as well as inspection and self-inspection on internal control compliance for the comprehensive implementation of supervision on the work requirements of ensuring a successful financial risk prevention and resolution effort in a determined manner, and strengthened the rectification and accountability for the problems identified during inspection, thereby thoroughly showing the power of compliance risk management, and actively advocating and strictly supervising the scrupulous compliance with the bottom line among the institutions and personnel at all levels; enhanced the study of domestic and overseas bills, regulatory policies and laws and regulations, and provided a comprehensive and high-quality legal compliance services; refined and improved consumer rights protection work channels and methods to maintain healthy financial consumer relations; commenced and implemented regular compliance education and training, and enhanced the compliance professional standards and the compliance awareness of all staff members.

(VII) Anti-money Laundering Management

During the Reporting Period, the Bank conducted anti-money laundering work by strictly following the more stringent regulatory requirements for management, striving for the "risk-based" management concept. The Bank incorporated money laundering risks into the comprehensive risk management system, and, through various measures, it continued to strengthen customer identification management, perfected the suspicious transaction screening and analysis model, improved the full-process closed-loop management of money laundering risk prevention and control system, and enhanced employees' awareness of money laundering risk prevention and business skills, which further improved the compliance and effectiveness of the Bank's anti-money laundering management work. Meanwhile, the Bank strengthened the publicity and training of anti-money laundering, actively cooperated with regulatory authorities in conducting co-investigations into anti-money laundering, established a good internal and external environment for anti-money laundering, and effectively fulfilled corporate social responsibilities and strictly performed financial institutions' obligations regarding anti-money laundering and anti-terrorist financing.

X. Internal control and internal audit

(I) Internal Control

Pursuant to the laws and regulations on internal control normative system for enterprises including the Basic Internal Control Norms for Enterprises and its relevant guidelines jointly issued by the five authorities as well as the Guidelines for Internal Control of Commercial Banks issued by the CBRC, the Company formulated and improved a scientific internal control system while establishing and maintaining a business environment which is under proper control and takes into account risk conditions by borrowing advanced ideas from foreign countries. The Company has a clear internal control management framework: as the decision-making body, the Board is responsible for the establishment, development and effective implementation of internal control system; as the coordination body, the management at various levels is responsible for coordinating the establishment and implementation of internal control system and its daily operation; the various branches and departments are responsible for establishing and continuously improving their own internal control systems in accordance with the requirements of laws and regulations; the compliance departments at various levels and the independent internal audit departments are responsible for the supervision and evaluation of the internal control system of the Bank, forming an internal control management and organisational structure with reasonable division of labour, definitive duties and responsibilities and clear reporting lines.

During the Reporting Period, the Company implemented a series of works on improving and optimising internal control, primarily including the following: Firstly, the Company improved its risk evaluation system. The Board, the senior management and responsible management personnel of the Company fully understood various risk exposures under the operating and management process, such as credit risk, market risk, liquidity risk, operation risk, legal risk and reputation risk, and basically established a comprehensive risk management system which is suitable for the Company through years of efforts. Major risk exposures, such as credit risk, market risk, liquidity risk, compliance risk, legal risk and reputation risk, were covered by the scope of risk management and were consistently monitored. Series of management measures and systems had been applied gradually as at the end of the Reporting Period, such as data platform, pricing management, comprehensive budget management, interest rate liberalisation project, and internal assessment model for retail and non-retail business, branch transformation, team service model transformation for corporate clients, credit approval model transformation, data governance, smart risk control. Hence, the standard of delicacy management for risk assessment greatly improved.

Secondly, the Company adhered to its principles in full coverage, balancing, prudence and conformity to establish a comprehensive internal control system, which formulated comprehensive, systematic and standardised business and management systems for various business and management activities. Proper control measures were adopted to execute standardised business and management process. At the same time, the Bank identified and assessed the risk exposures during business operations with the use of scientific risks management techniques and methods to consistently monitor various types of major risks. The information system control was strengthened to improve the automatic system control on business and management activities through the effective integration of internal control process with business operation system and management information system. According to the needs for operation and management, the duties and authority of the departments and positions were defined and formulated standardised descriptions for the responsibilities of departments and positions. The Bank rationalised the incompatible positions involved in the business process and management activities upon comprehensive systematic analysis and implemented corresponding separation measures to form interacting position arrangement. The Bank formulated internal control requirements for important positions, which established work shift and compulsory leave systems on staff at important positions. The Bank established systems to regulate staff's behaviour so as to strengthen the supervision and inspection on staff's behaviour. The reporting, investigation and punishment systems on staff's abnormal behaviour were also established. According to the business capacity, management level, risk condition and business development needs of the branches and departments, the Bank established the relevant authorisation system which defined the authorities of branches, departments, positions, employees at different levels for business operations and matters and would be subject to dynamic adjustments. The Bank strictly complied with the accounting standards and systems so as to reflect the business transactions in an accurate and timely manner while ensuring the truthfulness, reliability and completeness of the financial accounting information. The Bank established an effective verification and monitoring system to verify various accounts, certificates and statements regularly and check the intangible assets including cash and marketable securities, and important evidence in a timely manner. With respect to new business and introduction of new products and services, the Bank established the relevant management system and business process. The Bank established a comprehensive outsourcing management system, which defined the organisational structure and management responsibilities for outsourcing management, and assessed the risk of outsourcing business. The Bank established a comprehensive customer complaint handling mechanism and workflow for handling complaints so as to regularly summarise and analyse the complaint related matters to identify the potential issues for effective improvement in services and management.

Thirdly, for the establishment of information transmission and communication channels, the Company established a two-way internal communication mechanism from two dimensions, namely top-down and down-top communication. By clearly identifying the responsible departments for reporting and the reporting lines, the Bank established a better internal system for internal information exchange and communication mechanism. Furthermore, through optimising information exchanging platforms within the Bank such as the OA system, the Bank ensured that various departments and entities at all levels of the head office can convey in a timely manner all information on the strategies, policies, systems and relevant requirements at the decision-making level to the employees and at the same time provide support to the employees for timely reporting of internal control problems to the managements at various levels. Regarding external disclosure and information gathering, the Company also specified responsible departments, relevant processes and document circulation mechanisms to ensure compliance thereof and timely circulation of external documents.

Fourthly, the Company has been putting efforts in the establishment and optimisation of an effective internal control organisational system under joint supervision from multi-levels, multi-dimensions and multi-channels. The Company has established a reporting and information feedback system for internal control. The business departments, internal control management functional departments, internal audit departments and other responsible personnel had reported to the Board, the management or the relevant departments in a timely manner once they discovered any threat or defect of internal control.

Fifthly, the Bank continued to organise various compliance training sessions and seminars so as to enhance the construction of compliance culture and improve the compliance awareness among employees at all levels and capacity of internal control performance. During the Reporting Period, the Board and the senior management of the Company highly focused on the works in respect of internal control studying and training, and strengthening of incident prevention and control, consumer rights protection and anti-money laundering management. It emphasised the importance of internal control, aiming to make all employees across the Bank acknowledge the importance of internal control, be familiar with the duty requirements for different positions, understand and master the key points of internal control and take part actively in internal control, thus building an excellent internal control environment in the Bank. The Bank further promoted its compliance philosophy of "giving highest priority to compliance, making all employees in compliance, working in compliance actively, and creating value through compliance", thereby constantly building a corporate culture of "compliance with high efficiency".

(II) Internal Audit

The Company has established in place an independent and vertical internal audit management system. The Board is responsible for building and maintaining a sound and effective internal audit system. The Board has established the Audit Committee, which is accountable to the Board, whereas the Internal Audit Department as the Company's department for audit, is responsible for audit on the operation and management of the Bank, and is accountable to the Board and the Audit Committee thereunder. The Internal Audit Department exercises its independent right of internal audit as authorised by the Board, not subject to any intervention from other departments or persons. Neither does it take part in any specific operating activities within the scope of duties of other departments.

During the Reporting Period, conforming to the external regulatory circumstances, and the internal audit requirements of the Board and the Audit Committee, with comprehensive consideration to the current most prominent financial industry risks and the current status of the Group's operation and management, and with the identification and revelation of risks as the core, the internal audit department of the Company strengthened the effective linkage and integration of internal audit resources of the Group and constantly promoted risk-oriented audit with big data support, effectively covering the key areas, key risks, key institutions and key personnel. It also supervised the implementation of various policies, practically evaluated the quality and effectiveness of the organisation's operation and management and the ability of personnel to perform duties, and promoted the implementation and steady development of various strategies of the Group. The Board and senior management paid close attention to the audit discoveries and conversion of audit results, actively promoted rectification and process optimisation, as well as urged and supervised the effective performance of the audited parties to enhance risk prevention and control capacity.

XI. Prospects

China's economy once fell into stagnation due to the pandemic. GDP dropped by 6.8% in the first quarter, which is the largest decline since the reform and opening up. It is expected that the global economy will not be able to get out of deep recession during the year. China's economy is facing huge downward pressure, and the government report has historically not set any economic growth indicators. The pandemic has accelerated the pace of economic restructuring, and banks have entered a new cycle of business development and asset quality. Meanwhile, significant strategic results have been achieved in the current pandemic prevention and control in China, while showing marginal improvements in economic indicators. The situation has begun to change for the better, which has brought space and created conditions for the Bank's business development and the best closing of its three-year plan. Firstly, as the resumption of work and production progresses in an orderly manner, the PBOC and the CBIRC have, simultaneously and from multiple perspectives, given guidance to banking institutions in respect of the provision of financial services with "stability on six fronts (六穩)" and "security in the six areas (六保)", which is conducive to the steady operation of the Bank. Secondly, with the active increase of effective investment and vigorous promotion of the construction of the "enhanced version" of the Top Hundred Projects in Heilongjiang, the economic vitality and financing needs in the region will be further stimulated. Thirdly, with further deepening of the construction of the free trade zone, the Company's leading advantage in its Sino-Russia financial services will be further demonstrated, making due contributions to the implementation of "the Belt and Road Initiative" policy.

In the future, adhering to the business philosophy of "Inclusive Finance, Harmonious Co-enrichment" continuously and sticking unwaveringly to the microcredit strategy, the Bank will coordinate business development and pandemic prevention and control, and deepen the implementation of the work theme of "steady improvements", further consolidate the results of operation transformation, comprehensively improve the fundamental governance capacity. By focusing on "creating cohesion, seizing markets, implementing transformation and fostering development", and adhering to the established objectives and transformation direction to compete in the market, the Bank will strive to achieve the Group's business goals with high quality and efficiency.

Changes in Share Capital and Information on Shareholders

I. Share Capital

The Company was listed on the Hong Kong Stock Exchange on 31 March 2014, upon an issuance of 2,748,700,000 H Shares in total, and on the same date, 274,870,000 Domestic Shares were transferred to the National Council for Social Security Fund of the PRC (全國社會保障基金理事會) and converted into H Shares on a one-for-one basis pursuant to the relevant PRC regulations relating to reduction of state-owned shares. After completion of the issuance, the total share capital of the Company increased to 10,995,599,553 shares. As at the end of the Reporting Period, the Company had a registered capital of RMB10,995,599,553 in total.

II. Statement of Changes in Shares

Unit: Shares

	1 January 2020		Increase/decrease during the Reporting Period (+/-)					30 June 2020	
	Number	Percentage	Private placement	New shares issued	Bonus issue	Others	Subtotal	Number	Percentage
Domestic Shares									
1. Non-listed shares held by corporations	7,908,539,178	71.92%	–	–	–	427,372	427,372	7,908,966,550	71.93%
Including: (1) Shares held by state-owned enterprises	5,332,201,096	48.49%	–	–	–	1,553,995,638	1,553,995,638	6,886,196,734	62.63%
(2) Shares held by private enterprises	2,576,338,082	23.43%	–	–	–	-1,553,568,266	-1,553,568,266	1,022,769,816	9.30%
2. Non-listed shares held by natural persons	63,490,375	0.58%	–	–	–	-427,372	-427,372	63,063,003	0.57%
H Shares									
3. Overseas listed foreign shares	3,023,570,000	27.50%	–	–	–	–	–	3,023,570,000	27.50%
Total number of shares	10,995,599,553	100%	–	–	–	–	–	10,995,599,553	100%

Note: Non-listed shares held by corporations (Domestic Shares) of the Company were held by 36 state-owned corporate shareholders, including Harbin Economic Development, Heilongjiang Financial Holdings, Harbin Hadong Investment Co., Ltd. (哈爾濱市哈東投資有限責任公司), and Harbin Industrial Investment Group Co., Ltd. (哈爾濱工業投資集團有限公司), etc.

III. Shareholdings of Shareholders

As at the end of the Reporting Period, the total number of the shares of the Company was 10,995,599,553 shares, comprising 7,972,029,553 Domestic Shares and 3,023,570,000 overseas listed H Shares.

Shareholdings of Top 10 Shareholders of the Company as at the Date of this Report

	Name of shareholder	Nature of shareholder	Number of shares held (shares)	Shareholding percentage (%)[2]	Number of shares pledged or frozen	Type of shares
1	Harbin Economic Development and Investment Company Limited	State-owned	3,257,943,986	29.63%	–	Non overseas-listed shares
2	Heilongjiang Financial Holdings Group Co., Ltd.	State-owned	2,035,675,058	18.51%	–	Non overseas-listed shares
3	Fubon Life Insurance Company Limited	Foreign investment	773,124,000	7.03%	–	H share
4	Huaxia Life Insurance Co., Ltd.	Private enterprise	486,702,000	4.43%	–	H share
5	CITIC Capital HB Investment L.P.	Foreign investment	401,275,000	3.65%	–	H share
6	Harbin Heli Investment Holdings Co., Ltd. (哈爾濱合力投資控股有限公司)[1]	State-owned	397,000,000	3.61%	–	Non overseas-listed shares
7	Finance Bureau of Daoli District, Harbin[1]	State-owned	386,025,859	3.51%	–	Non overseas-listed shares
8	Finance Bureau of Nangang District, Harbin	State-owned	378,941,968	3.45%	–	Non overseas-listed shares
9	Harbin High-tech Industrial Development Zone Infrastructure Development and Construction Co., Ltd. (哈爾濱高新技術產業開發區基礎設施開發建設有限公司)	State-owned	301,315,846	2.74%	–	Non overseas listed shares
10	Beijing Xinrun Investment Co., Ltd. (北京新潤投資有限公司)	Private enterprise	255,418,587	2.32%	–	Non overseas listed shares

Notes:

1. On 24 June 2020, Harbin Kechuang Xingye Investment Company Limited transferred 397,000,000 Domestic Shares out of its 720,262,554 Domestic Shares to Harbin Heli Investment Holding Co., Ltd., and the remaining 323,262,554 Domestic Shares were transferred to Finance Bureau of Daoli District, Harbin. As at the date of this report, the registration procedures in relation to the aforesaid transfer of shares have been completed, and Harbin Kechuang Xingye Investment Company Limited ceased to hold any shares of the Company.
2. The above percentage of non overseas-listed shares and H shares as at the date of this report is calculated based on the total share capital of the Company, being 10,995,599,553 shares.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2020, according to the disclosure of interest information as shown on the website of the Hong Kong Stock Exchange, the interests and short positions of the following persons (excluding the Directors, Supervisors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Domestic Shares

Name of shareholder	Capacity	Domestic Shares held (long position)	Percentage of issued domestic share capital of the Company	Percentage of total issued share capital of the Company
Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission[1]	Interest of controlled corporation	3,257,943,986	40.87%	29.63%
Harbin Investment Group Corporation Limited[1]	Interest of controlled corporation	3,257,943,986	40.87%	29.63%
Harbin Economic Development and Investment Company[1]	Beneficial owner	3,257,943,986	40.87%	29.63%
Department of Finance of Heilongjiang Province of the People's Republic of China[2]	Interest of controlled corporation	2,039,975,058	25.59%	18.55%
Heilongjiang Financial Holdings Group Co., Ltd.[2]	Beneficial owner	2,035,675,058	25.54%	18.51%
	Interest of controlled corporation	4,300,000	0.05%	0.04%

Notes:

1. Harbin Economic Development directly held 3,257,943,986 Domestic Shares of the Company. Harbin Economic Development was owned as to 100% by Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司), which in turn was owned as to 100% by the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission (哈爾濱市人民政府國有資產監督管理委員會). According to the SFO, each of the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission and Harbin Investment Group Corporation Limited was deemed to be interested in the 3,257,943,986 Domestic Shares held by Harbin Economic Development. Harbin Economic Development was established on 22 August 1992 with a registered capital of RMB2,307,522,010, and Mr. Zhang Xianjun (張憲軍) being the legal representative. The business scope of Harbin Economic Development is to make financial investments in areas like fixed-assets to municipally owned enterprises and to receive dividends in return (business subject to approval by law shall be conducted upon approval by competent authorities).
2. Heilongjiang Financial Holdings directly held 2,035,675,058 Domestic Shares of the Company and indirectly held 4,300,000 Domestic Shares of the Company through its indirectly controlled corporation Harbin Dazheng Microcredit Co., Ltd. (哈爾濱市大正小額貸款有限責任公司). According to the SFO, Heilongjiang Financial Holdings was deemed to be interested in a total of 2,039,975,058 Domestic Shares of the Company. In addition, Heilongjiang Financial Holdings was wholly owned by the Department of Finance of Heilongjiang Province (黑龍江省財政廳). According to the SFO, the Department of Finance of Heilongjiang Province was also deemed to be interested in such 2,039,975,058 Domestic Shares of the Company. Heilongjiang Financial Holdings was established on 18 January 2019 with a registered capital of RMB13,600,000,000 and Yu Hong (於宏) being the legal representative. The business scope of Heilongjiang Financial Holdings is investment and asset management and capital investment services; non-public offering of securities investment funds; holding company services; and financial information services.

H Shares

Name of shareholder	Capacity	Number of H Shares held (long position)	Percentage of issued H share capital of the Company	Percentage of total issued share capital of the Company
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation[1]	773,124,000	25.57%	7.03%
Huaxia Life Insurance Co., Ltd.[2]	Beneficial owner	486,702,000	16.10%	4.43%
CITIC Capital Holdings Limited	Interest of controlled corporation[3]	401,275,000	13.27%	3.65%

Notes:

1. Fubon Financial Holding Co., Ltd. held the interests in 773,124,000 H Shares of the Company through its 100% owned corporation, Fubon Life Insurance Company Limited. Fubon Life Insurance Company Limited was established in March 2007 with a registered capital of TWD82,969,690,000 and Mr. Ming-Hsing (Richard) Tsai being the legal representative. The business scope of Fubon Life Insurance Company Limited is provision of life insurance. Fubon Life Insurance Company Limited held 18% equity interest in CITIC Capital Holdings Limited and nominated director. The two companies are therefore parties related to each other. Due to reasons including different requirements under the laws of Taiwan and Mainland China, Fubon Life Insurance Company Limited has not obtained the approval on shareholder's qualification as at the date of this report.
2. On 17 July 2020, the CBIRC decided to take over four insurance companies including Huaxia Life Insurance Co., Ltd. and two trust companies. The takeover of Huaxia Life Insurance Co., Ltd. does not have a significant impact on the normal operation and management of the Bank.
3. CITIC Capital Holdings Limited held the interests in the relevant shares through a series of controlled corporations. Pursuant to the requirements of regulatory authorities, CITIC Capital HB Investment L.P. (an indirect non-wholly subsidiary of CITIC Capital Holdings Limited) is applying for the approval on shareholder's qualification together with Fubon Life Insurance Company Limited, which has not been obtained as at the date of this report.

Save as disclosed above, to the knowledge of the Directors, none of other persons (excluding the Directors, Supervisors and the chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2020.

IV. Substantial Shareholders of the Company under the Hong Kong Listing Rules

As at the end of the Reporting Period, details of the substantial shareholders of the Company (holding 10% or more of the shares of the Company) under the Hong Kong Listing Rules are as follows:

1. As at 30 June 2020, Harbin Economic Development, the largest shareholder of the Company, held 29.63% of the total issued shares of the Company. According to the Business License (Unified Social Credit Code: 91230100424004064C) issued by the Market Supervision and Administration Bureau of Harbin on 17 December 2019, and the Articles of Association of Harbin Economic Development and Investment Company amended on 27 November 2019, Harbin Economic Development is a validly subsisting economic entity with limited liability (sole proprietorship invested or controlled by non-natural person). Harbin Economic Development is owned as to 100% by Harbin Investment Group Corporation Limited, which in turn is owned as to 100% by the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission.

2. As at 30 June 2020, Heilongjiang Financial Holdings directly and indirectly held 18.55% of the total issued shares of the Company. According to the Business License (Unified Social Credit Code: 91230100MA1BF51Q38) issued by the Market Supervision and Administration Bureau of Harbin on 18 January 2019 and the Articles of Association of Heilongjiang Financial Holdings Group Co., Ltd., Heilongjiang Financial Holdings is a validly subsisting economic entity with limited liability (wholly state-owned). Heilongjiang Financial Holdings is wholly owned by the Department of Finance of Heilongjiang Province.

V. Details of Pledged and Frozen Shares Held by Shareholders with Shareholding of 5% or More in the Company

As at 30 June 2020, no shares held by any shareholder with shareholding of 5% or more of the Company were pledged or judicially frozen.

VI. Controlling Shareholder and De Facto Controller

The Company does not have a controlling shareholder or actual controller.

VII. Shareholders with Shareholding of 5% or More of the Company

Please see "III. Shareholdings of Shareholders" above for the particulars of shareholders with shareholding of 5% or more of the Company as at 30 June 2020.

VIII. Performance of Undertakings by the Company and Shareholders Holding 5% or More of the Shares

During the Reporting Period, neither the Company nor its shareholders holding 5% or more of the total issued shares of the Company gave any undertakings.

IX. Purchase, Sale or Redemption of Listed Securities of the Company

During the period from 1 January 2020 to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

Directors, Supervisors, Senior Management and Employees

Directors

As at the date of publication of this report, the Directors of the Company are as follows:

Name	Gender	Age	Position	Term of office
Guo Zhiwen	Male	53	Executive Director and Chairman of the Board	2018.5.18-the conclusion of the 2020 annual general meeting
Lyu Tianjun	Male	53	Executive Director and President	2018.7.6-the conclusion of the 2020 annual general meeting
Sun Feixia	Female	50	Executive Director and Vice Chairman of the Board	2018.7.6-the conclusion of the 2020 annual general meeting
Zhang Taoxuan	Male	58	Non-Executive Director	2018.5.18-2020.8.28
Ma Pao-Lin	Male	58	Non-Executive Director	2018.5.18-2020.8.28
Peng Xiaodong	Male	49	Non-Executive Director	2018.5.18-2020.8.28
Chen Danyang	Male	47	Non-Executive Director	2018.5.18-2020.8.28
Ma Yongqiang	Male	44	Independent Non-Executive Director	2018.7.6-the conclusion of the 2020 annual general meeting
Zhang Zheng	Male	48	Independent Non-Executive Director	2018.7.6-the conclusion of the 2020 annual general meeting
Sun Yan	Male	51	Independent Non-Executive Director	2018.7.6-the conclusion of the 2020 annual general meeting
Hou Bojian	Male	61	Independent Non-Executive Director	2019.9.2-the conclusion of the 2020 annual general meeting

Supervisors

As at the date of publication of this report, the Supervisors of the Company are as follows:

Name	Gender	Age	Position	Term of office
Deng Xinquan	Male	55	Chairman of the Board of Supervisors and Employee Representative Supervisor	2018.5.18-the conclusion of the 2020 annual general meeting
Luo Zhonglin	Male	55	Employee Representative Supervisor	2018.5.18-the conclusion of the 2020 annual general meeting
Fang Shang	Male	48	Employee Representative Supervisor	2018.5.18-the conclusion of the 2020 annual general meeting
Liu Mo	Male	41	Shareholder Representative Supervisor	2018.5.18-2020.8.28
Li Dong	Male	61	External Supervisor	2018.5.18-the conclusion of the 2020 annual general meeting
Li Zhaohua	Female	54	External Supervisor	2019.5.17-the conclusion of the 2020 annual general meeting
Sun Yi	Male	49	External Supervisor	2019.5.17-the conclusion of the 2020 annual general meeting

Senior Management

During the Reporting Period and as at the date of publication of this report, the senior management of the Company was/is comprised of:

Name	Gender	Age	Position	Term of office
Lyu Tianjun	Male	53	Executive Director and President	2018.7-the conclusion of the 2020 annual general meeting
Sun Feixia	Female	50	Executive Director, Vice Chairman of the Board, Secretary of the Board and Company Secretary	2018.7-the conclusion of the 2020 annual general meeting
Wang Haibin	Male	50	Executive Vice President	2018.5-the conclusion of the 2020 annual general meeting
Wang Tao	Male	44	Assistant to the President	2018.7-the conclusion of the 2020 annual general meeting
Yang Dazhi	Male	43	Assistant to the President	2018.7-the conclusion of the 2020 annual general meeting
Zhou Jie	Female	45	Assistant to the President	2018.7-the conclusion of the 2020 annual general meeting
He Dongbo	Male	41	Assistant to the President	2018.7-2020.2
Wang Ying	Female	49	Chief Audit Officer	2018.7-the conclusion of the 2020 annual general meeting
Gong Tiemin	Male	44	Chief Risk Officer	2018.8-the conclusion of the 2020 annual general meeting
Qi Yilei	Male	48	Chief Credit Approval Officer	2018.7-the conclusion of the 2020 annual general meeting
Liang Yong	Male	48	Chief Information Officer	2018.10-the conclusion of the 2020 annual general meeting

Changes in Directors and Supervisors

Mr. Zhang Taoxuan, a former non-executive Director, has tendered his resignation from the positions as a non-executive Director of the Seventh Session of the Board and a member of the Development Strategy Committee under the Board of the Bank due to other work arrangements. Mr. Ma Pao-Lin, a former non-executive Director, has tendered his resignation from the positions as a non-executive Director of the Seventh Session of the Board and a member of the Development Strategy Committee under the Board of the Bank due to work related reasons. Mr. Peng Xiaodong, a former non-executive Director, has tendered his resignation from the positions as a non-executive Director of the Seventh Session of the Board and a member of the Audit Committee under the Board of the Bank due to other work arrangements. Given Heilongjiang Tuokai Economic and Trading Company Limited (黑龍江拓凱經貿有限公司), which nominated Mr. Chen Danyang as a non-executive Director of the Bank, no longer holds any shares of the Bank, Mr. Chen Danyang, a former non-executive Director, has tendered his resignation from the positions as a non-executive Director of the Seventh Session of the Board and a member of the Nomination and Remuneration Evaluation Committee under the Board of the Bank. The aforementioned resignations all took effect from 28 August 2020.

Mr. Liu Mo, a former shareholder representative Supervisor, has tendered his resignation from the position as a shareholder representative Supervisor of the Seventh Session of the Board of Supervisors of the Bank due to adjustment of work allocation, with effect from 28 August 2020.

Changes in Information of Directors, Supervisors and Chief Executive

As at the date of publication of this report, the Directors, Supervisors and chief executive confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

The Company has adopted a code of conduct regarding securities transactions by Directors, Supervisors and relevant employees on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiries to the Directors and Supervisors, all Directors and Supervisors of the Company confirmed that they had complied with the aforesaid code during the Reporting Period.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

Save as disclosed below, to the knowledge of the Company, as at 30 June 2020, the Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be registered in the register pursuant to section 352 of the SFO or to be disclosed to the Company and the Hong Kong Stock Exchange as provided by the Model Code.

Name	Position	Nature of Interest	Class of Shares	Number of Shares held (shares)	Percentage of Total Number of Shares of the Company (%)
Sun Feixia	Executive Director	Beneficial owner	Domestic Shares	378,907	0.003
Deng Xinquan	Supervisor	Beneficial owner	Domestic Shares	1,205	0.00001

Employees

(I) Personnel Composition

As at 30 June 2020, the Company had 6,902 employees, among which 1,076 were headquarters staff, accounting for 15.59% of the total, and 2,407 were staff of Harbin branches, accounting for 34.87% of the total. Regarding age composition, the average age of employees of the Company was 35.72, among which 1,270 employees were between 25 and 30 years old, accounting for 18.40% of the total. Regarding educational background, there were 6,163 employees with bachelor degree or above in the Company, accounting for 89.29% of the total. Regarding working experience, the Company had 2,302 employees who had been working in the banking industry for more than 10 years. accounting for 33.35% of the total. Staff turnover rate of the Company was 0.99%. The subsidiaries of the Company had a total of 1,587 employees.

(II) Staff Training Programmes

During the Reporting Period, the Bank, focusing on the work theme of "steady improvements" and the needs of the Group's current and future development, proactively adapted to the new situation of pandemic prevention and control by actively exploring new methods, implementing new measures, and addressing new issues. During the pandemic, the Bank concentrated on making good use of both online and offline channels as well as its internal and external resources to constantly stimulate the internal impetus of human resources training and development, thus providing strong protection for the growth and success of the staff and the long-term development of the Group.

During the Reporting Period, according to the 2020 Staff Training Plan, the Bank focused on the development and training needs of the staff at various levels with respect to five aspects, namely external training, internal training, self-learning, exchange and assessment. With an emphasis on promoting the development of professional skills, the Bank continuously enriched and constructed the "embark, navigate, cruise, escort, endure and voyage" (啟航、導航、巡航、護航、續航、遠航) training system. Under the "Navigation Series" (航行系列) training project, we continued to carry on the "Ten Hundreds" (十個一百) professional skills training programs. Both training completion rate and target person coverage rate were 100%. As at 30 June 2020, all departments of the headquarters of the Bank implemented 69 training sessions in total, including 51 internal training sessions, and 18 external training sessions for selected staff members of the Bank. The total attendance of the staff training sessions amounted to 6,655, and the total training hours amounted to 341.

(III) Staff Incentive Policy

The Bank has established a scientific and reasonable staff evaluation system to implement comprehensive performance management. At the beginning of each year, the Bank sets up performance plan for each staff by breaking down the strategic objectives layer by layer, and carries out review mechanism every half year, while making sure staff review is conducted in a fair and scientific manner. The Bank has also adopted multi-dimensional measurement and a forced distribution method to evaluate employee performance, which ensures truthful evaluation of staff performance. In addition, the effective performance communication helps the employees reach their performance goals. The Bank has established a series of staff incentive policies in line with the Bank's development needs based on scientific performance review results: firstly, the Bank has adopted a broadband salary system to provide staff with incentive remuneration by raising and lowering remuneration grades; secondly, the Bank has established a career development platform to facilitate scientific personnel selection and rotation and created multiple career development paths for staff through talent exchange and secondment for getting experience; thirdly, the Bank has created various talent cultivation plans including "Leadership" (領跑者) Training Program, Professional Managers Training Program to broaden the channels for career development; fourthly, by innovative training methods, the Bank has put great effort into expanding online training channels based on the pandemic prevention and control situation, introduced a corporate coaching and counselling-based learning growth system, and established a new online learning model combining online training camps with live courses by cooperating with quality course operators; fifthly, the Bank has provided employees with relevant support to obtain relevant licences so as to promote the capacity of the staff of the Bank; sixthly, the Bank has adopted a points system for the performance review results, with employees' annual performance review results directly converted to points, which may be redeemed for rank or salary promotion qualifications, ensuring the "fairness, openness, transparency" in the rank and salary promotion system.

(IV) Remuneration Policy for Employees

The Bank has successfully established a broadband salary management system with diversified composition, standardised management and systematic implementation and adopted a market-oriented and region-diversified management scheme in order to scientifically and effectively motivate the Bank's employees and ensure the smooth implementation of the Bank's strategic development. The Bank's staff remuneration package is composed of fixed remuneration, variable remuneration and welfare income, setting up differentiated combination of elements of remuneration for different groups. Meanwhile, the Bank is able to strictly comply with regulatory requirements in remuneration payment by adopting deferred payment and setting up a lock-up period for payment to senior management as well as employees holding positions that may exert significant influence to risks in order to tie job duties with risk management responsibilities.

(V) Retirement and Benefits

The Bank pays various welfare benefits for employees who have not yet reached the statutory retirement age limit but are approved by the Bank to voluntarily retire from their employment from the internal retirement date to the statutory retirement age limit.

Important Events

I. Corporate Governance

During the Reporting Period, the Bank continued to optimise its corporate governance structure and improve its corporate governance practice in strict compliance with relevant laws and regulations such as the Company Law of the PRC, the Commercial Bank Law of the PRC as well as the Hong Kong Listing Rules, with due consideration given to the actual conditions of the Bank.

During the Reporting Period, the Bank strictly complied with relevant overseas listing regulatory requirements, and strived to improve the Bank's corporate governance mechanism, as well as enhance and improve the Bank's corporate governance. The Bank has adopted the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, has met the relevant requirements of the PRC commercial bank administrative measures and corporate governance requirements and has established a sound corporate governance system. Currently, the primary corporate governance documents of the Company include: the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Rules of Procedure for the Board of Directors' Meetings, the Rules of Procedure for the Board of Supervisors' Meetings, the Working Rules for the Independent Directors, the Terms of Reference of the Development Strategy Committee of the Board, the Terms of Reference of the Risk Management and Related Transactions Control Committee of the Board, the Terms of Reference of the Audit Committee of the Board, the Terms of Reference of the Nomination and Remuneration Evaluation Committee of the Board, the Terms of Reference of the Consumer Rights Protection Committee of the Board, the Terms of Reference of the President, the Administrative Measures for Connected Transactions, the Information Disclosure Administrative Measures, etc. The Board believes that during the Reporting Period, save as disclosed below, the Bank had complied with the requirements of the provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

The Company's auditor Ernst & Young did not attend the 2019 annual general meeting of the Company due to the COVID-19 pandemic.

II. Issuance of Debt Securities

(I) Bond Issuance during the Reporting Period

During the Reporting Period, the Company and its subsidiaries did not issue any new bonds.

(II) Previous Financial Bonds Issuance

1. 2016 tier-2 capital bonds

According to the resolutions of the 6th meeting of the sixth session of the Board of the Company on 7 December 2015 and the 2016 first extraordinary general meeting of the Company on 22 January 2016, the Board and the shareholders' general meeting of the Company approved the issuance of the tier-2 capital bonds of not more than RMB8.0 billion. According to the Approval of Heilongjiang Regulatory Bureau of the CBRC for Issuance of Tier-2 Capital Bonds by Harbin Bank (Hei Yin Jian Fu [2016] No. 29) issued by the Heilongjiang Regulatory Bureau of the CBRC on 18 March 2016 and the Administrative Approval Decision of the People's Bank of China (Banking Market Licence [2016] No. 89) issued by the PBOC on 2 June 2016, the issuance of tier-2 capital bonds of not more than RMB8.0 billion by the Company in the interbank bond market was approved. The Company obtained the consent and approval from the Heilongjiang Regulatory Bureau of the CBRC and the PBOC for the issuance of the "2016 Tier-2 Capital Bonds of Harbin Bank Co., Ltd." on 14 June 2016.

The issuance size of the 2016 tier-2 capital bonds of Harbin Bank Co., Ltd. was RMB8.0 billion with right allowing issuer to redeem subject to conditions precedent at the end of the 5th year. The bonds have a term of 10 years with a fixed coupon rate of 4.00% and its short name as "16 Harbin Bank Tier-2" (bond code: 1620026).

2. 2017 green financial bonds

According to the resolutions of the 8th meeting of the sixth session of the Board of the Company on 22 March 2016 and the 2015 annual general meeting of the Company held on 19 May 2016, the Board and the shareholders' general meeting of the Company approved the issuance of green financial bonds of not more than RMB5.0 billion.

According to the Approval of Heilongjiang Regulatory Bureau of the CBRC for Harbin Bank to Issue Green Financial Bonds (Hei Yin Jian Fu [2016] No. 211) issued by the Heilongjiang Regulatory Bureau of the CBRC on 2 November 2016 and the Administrative Approval Decision of the People's Bank of China (Banking Market Licence [2017] No. 5) issued by the PBOC on 18 January 2017, the public issuance by the Company of green financial bonds of not more than RMB5.0 billion in the interbank bond market was approved. The Company obtained the consent and approval from both the CBRC and the PBOC for the issuance of the 2017 first tranche of green financial bonds issued on 6 April 2017 as well as the 2017 second tranche of green financial bonds (Category I) and the 2017 second tranche of green financial bonds (Category II), both issued on 5 May 2017.

The 2017 first tranche of green financial bonds of Harbin Bank Co., Ltd. has an issuance size of RMB2.0 billion with a term of three years. The coupon rate is 4.79% and the interest is calculated annually at a fixed rate. Its short name is "17 Harbin Bank Green Finance 01" (bond code: 1720015), and its principal and interests were due and paid on 11 April 2020. The 2017 second tranche of green financial bonds (Category I) of Harbin Bank Co., Ltd. has an issuance size of RMB2.0 billion with a term of three years. The coupon rate is 4.68% and the interest is calculated annually at a fixed rate. Its short name is "17 Harbin Bank Green Finance 02" (bond code: 1720021), and its principal and interests were due and paid on 10 May 2020. The 2017 second tranche of green financial bonds (Category II) of Harbin Bank Co., Ltd. has an issuance size of RMB1.0 billion with a term of five years. The coupon rate is 4.75% and the interest is calculated annually at a fixed rate. Its short name is "17 Harbin Bank Green Finance 03" (bond code: 1720022).

3. 2018 HB Leasing Second Tranche of financial bonds

On 8 April 2018, the 13th meeting of the second session of the board of directors of HB Leasing considered and approved the Proposal on the Issuance of the Second Tranche of Financial Bonds to agree to issue the second tranche of financial bonds, and submitted the proposal to the shareholders' general meeting for consideration. On 23 April 2018, the Company, Dongninglizhi Decoration Engineering Co., Ltd. and Harbin Express Auto Sales Co., Ltd., as the shareholders of HB Leasing, considered and unanimously approved the Proposal on the Issuance of the Second Tranche of Financial Bonds at the 2018 second extraordinary general meeting of shareholders.

HB Leasing obtained the consent and approval from the CBRC and the PBOC for the issuance of the 2018 second tranche of financial bonds on 2 May 2018. The issuance size was RMB1.0 billion with a term of 3 years and a coupon rate of 5.48%, and the interest is calculated annually at a fixed rate, and its short name was "18 HB Leasing Bond 01" (bond code: 1822011).

(III) Proposed Issuance of Financial Bonds

1. According to the resolutions of the 22nd meeting of the sixth session of the Board held on 28 March 2018 and the 2017 annual general meeting of the Company held on 18 May 2018, the Board and the general meeting of the Company approved the Proposal on the Issuance of not more than RMB10 Billion Non-capital Financial Bonds, pursuant to which the issuance of non-capital financial bonds of not more than RMB10.0 billion by the Company was approved. The bond types include, but not limited to, non-capital financial bonds such as ordinary financial bonds, special financial bonds for small and micro enterprises, special financial bonds for "agriculture, rural area and farmer" and green financial bonds. Each bond will have a term of no longer than 10 years. Within the issuance size and prior to the issuance, the actual proportion and size of various types of bonds would be finalised according to the Company's actual demand, market conditions or investors' subscription. Relevant matters in respect of the proposed issuance of non-capital financial bonds by the Company were disclosed in the circular dated 6 April 2018 and the announcement dated 18 May 2018 of the Company.

2. According to the resolutions of the 22nd meeting of the sixth session of the Board held on 28 March 2018 and the 2017 annual general meeting of the Company held on 18 May 2018, the Board and the general meeting of the Company approved the Proposal on the Issuance of not more than RMB15 Billion Capital Supplemental Bonds, pursuant to which the Company was approved to issue capital supplemental bonds by way of public or non-public issuance to onshore or offshore investors, and the capital supplemental bonds not exceeding RMB15.0 billion (inclusive) shall, upon approval by regulatory authorities, be issued in a single or multiple series in accordance with the relevant procedures. The actual issuance size of the capital supplemental bonds is to be determined by the Board or its designated person within the abovementioned scope, in accordance with the capital needs of the Company and the market condition at the time of the issuance. The capital supplemental bonds are to be issued at the par value. All target investors shall subscribe for the capital supplemental bonds in cash. The initial term of the capital supplemental bonds shall not be less than 5 years. There will be no fixed expiration date prior to the exercise of redemption right by the Company. Interests on the capital supplemental bonds shall be paid in cash. The interest-bearing principal amount of the capital supplemental bonds shall be the aggregate amount of the relevant series of the capital bonds without a fixed term then issued and outstanding. After receiving the interests at the prescribed interest rate, the holders of the capital supplemental bonds shall not be entitled to any distribution of residual profits of the Company together with the ordinary shareholders. Relevant matters in respect of the proposed issuance of the capital supplemental bonds by the Company were disclosed in the circular dated 6 April 2018 and the announcement dated 18 May 2018 of the Company.

3. According to the resolution of the 23rd meeting of the second session of the board of directors of HB Leasing held on 19 April 2019 and the 2018 annual general meeting of HB Leasing held on 20 June 2019, the board of directors and the general meeting of HB Leasing approved the Proposal on the Issuance of Financial Bonds, approving the public issuance of not more than RMB3.5 billion financial bonds by HB Leasing with a term of not more than 5 years. The interest rate of the bond is fixed/floating, which is finally determined through bookkeeping or other means. The interest will be paid annually, and the repayment of principal is in a lump sum when it becomes due. The proceeds raised from the issuance of bonds will be used in the investment in agriculture and greening projects.

4. According to the resolutions of the 18th meeting of the seventh session of the Board held on 30 March 2020 and the 2019 annual general meeting of the Company held on 15 May 2020, the Board and the general meeting of the Company approved the Proposal on the Issuance of Eligible Tier-2 Capital Instruments, pursuant to which the Company was approved to issue eligible tier-2 capital instruments of not more than RMB20.0 billion by way of public issuance. The bonds will have a term of ten years, and the issuer may redeem the bonds at the end of the fifth year subject to certain conditions. The interest rate of the bonds is fixed, which will be determined through book building or other means. The proceeds raised from the issuance of bonds will be fully used to replenish the tier-2 capital of the Company pursuant to applicable laws and as approved by regulatory authorities.

III. Proposed Non-Public Issuance of Offshore Preference Shares

According to the Proposal on the Non-Public Issuance of Offshore Preference Shares considered and approved at the 12th meeting of the Sixth Session of the Board of the Company held on 15 December 2016, the Proposal on the Non-Public Issuance of Offshore Preference Shares by the Bank and the Proposal on the Authorization to the Board and the Personals Authorized by the Board to Deal with All Matters Relating to the Issuance of Offshore Preference Shares considered and approved at each of the 2017 first extraordinary general meeting, the 2017 first domestic shareholders' class meeting and the 2017 first H shareholders' class meeting held on 10 February 2017, respectively, the Company proposed to conduct a non-public issuance of not more than 80 million offshore preference shares (the "**Offshore Preference Shares**") to raise proceeds not exceeding RMB8.0 billion or its equivalent so as to replenish the Company's additional tier 1 capital. The validity periods of the relevant shareholders' resolutions and the issuance plan in relation to the issuance of the Offshore Preference Shares, as well as the authorisation granted by the shareholders' general meeting to the Board and the persons authorised by the Board to deal with all matters relating to the issuance of Offshore Preference Shares (the "**Authorisation**") were approved to be extended at the 2017, 2018 and 2019 annual general meetings and relevant class meetings. As at the date of this report, the extended validity period of each of the issuance plan of the Offshore Preference Shares and relevant shareholders' resolutions and the Authorisation as approved by the Shareholders is 12 months from the date of being approved at the 2019 annual general meeting, i.e. from 15 May 2020 to 14 May 2021. For details of the proposed non-public issuance of Offshore Preference Shares, please refer to the circulars of the Company dated 23 December 2016, 6 April 2018, 1 April 2019 and 30 March 2020.

The Proposal on Issuance of Not More Than RMB15 Billion Capital Supplemental Bonds was considered and approved at the 2017 annual general meeting of the Company held on 18 May 2018, pursuant to which, the Company will issue not more than RMB15 billion capital supplemental bonds (the "**Capital Supplemental Bonds**") by way of public or non-public issuance to replenish the Company's additional Tier-1 capital. The validity period of the issuance plan of the Capital Supplemental Bonds is 36 months from the date of being approved at the 2017 annual general meeting, i.e. from 18 May 2018 to 17 May 2021. In accordance with the relevant laws, regulations and regulatory policies, the issuance of the Capital Supplemental Bonds by the Company is still subject to the approvals by the Heilongjiang Bureau of the CBIRC and the People's Bank of China. Given the capital supplemental bonds and the preference shares are both additional tier-1 capital instruments with similar capital supplemental effects, and the issuance of capital supplemental bonds has the advantages of shorter approval process and lower interest cost and issuance cost as compared with the issuance of offshore preference shares, capital supplemental bonds have become the preferred choice of commercial banks to replenish additional tier-1 capital. In addition, the amount of Capital Supplemental Bonds proposed to be issued by the Company is sufficient to fill in the gap of additional tier-1 capital. As such, after due consideration, the Company will replenish additional tier-1 capital by issuing Capital Supplemental Bonds instead of Offshore Preference Shares at the present stage. The Board has decided at a meeting held on 28 August 2020 (i) to formally withdraw the Company's application for non-public issuance of Offshore Preference Shares from the CSRC; and (ii) to authorise the Chairman or the persons authorised by the Chairman to deal with all matters relating to the withdrawal of application for non-public issuance of Offshore Preference Shares (including but not limited to drafting, determining, signing and executing documents relating to the withdrawal of application for non-public issuance of Offshore Preference Shares, publishing relevant announcements, etc.), with a validity period from the date of being approved by the Board to the date of completion of the withdrawal of application for non-public issuance of Offshore Preference Shares.

IV. Material Connected Transaction

During the Reporting Period, no material connected transaction under the Hong Kong Listing Rules was conducted by the Company with its connected party(ies).

V. Material Legal Proceedings and Arbitrations

As at the end of the Reporting Period, the amount involved in significant outstanding legal proceedings against the Bank (as a defendant or a third party defendant) amounted to RMB41 million. In the opinion of the Bank, such legal proceedings would not have any material impact on the Bank's operating activities. Save for the above, during the Reporting Period, there were no other material legal proceedings or arbitrations which had substantial impact on the operating activities of the Bank.

VI. Penalties Imposed on the Company and Directors, Supervisors and Senior Management of the Company

During the Reporting Period, the Company and all its Directors, Supervisors and senior management had no records of being imposed on inspections, administrative penalties or circulating criticisms by the CSRC or public censures by the Hong Kong Stock Exchange, or penalties by other relevant regulatory authorities that posed significant impact on the Company's operation.

VII. Material Contracts and Their Performance

During the Reporting Period, the Company had not entered into any material contracts nor performed such contracts.

VIII. Audit Review

The Company's unaudited consolidated interim financial statements for 2020 prepared in accordance with International Financial Reporting Standards had been reviewed by Ernst & Young, who had issued an unqualified review report.

The Company's 2020 interim report and 2020 unaudited interim consolidated financial statement had been reviewed by the Audit Committee of the Board and the Board of the Company.

IX. Implementation of Share Incentive Plan during the Reporting Period

The Company did not implement any share incentive plan during the Reporting Period.

X. Appointment and Dismissal of Auditors

The re-appointment of Ernst & Young and Ernst & Young Hua Ming LLP as the respective overseas and domestic auditors of the Company for the year 2020 was considered and approved at the 2019 annual general meeting of the Company held on 15 May 2020.

XI. Material Acquisition and Disposal of Assets and Merger of Enterprises

During the Reporting Period, the Company had no material acquisition, disposal or merger of enterprises.

XII. Profit Distribution during the Reporting Period

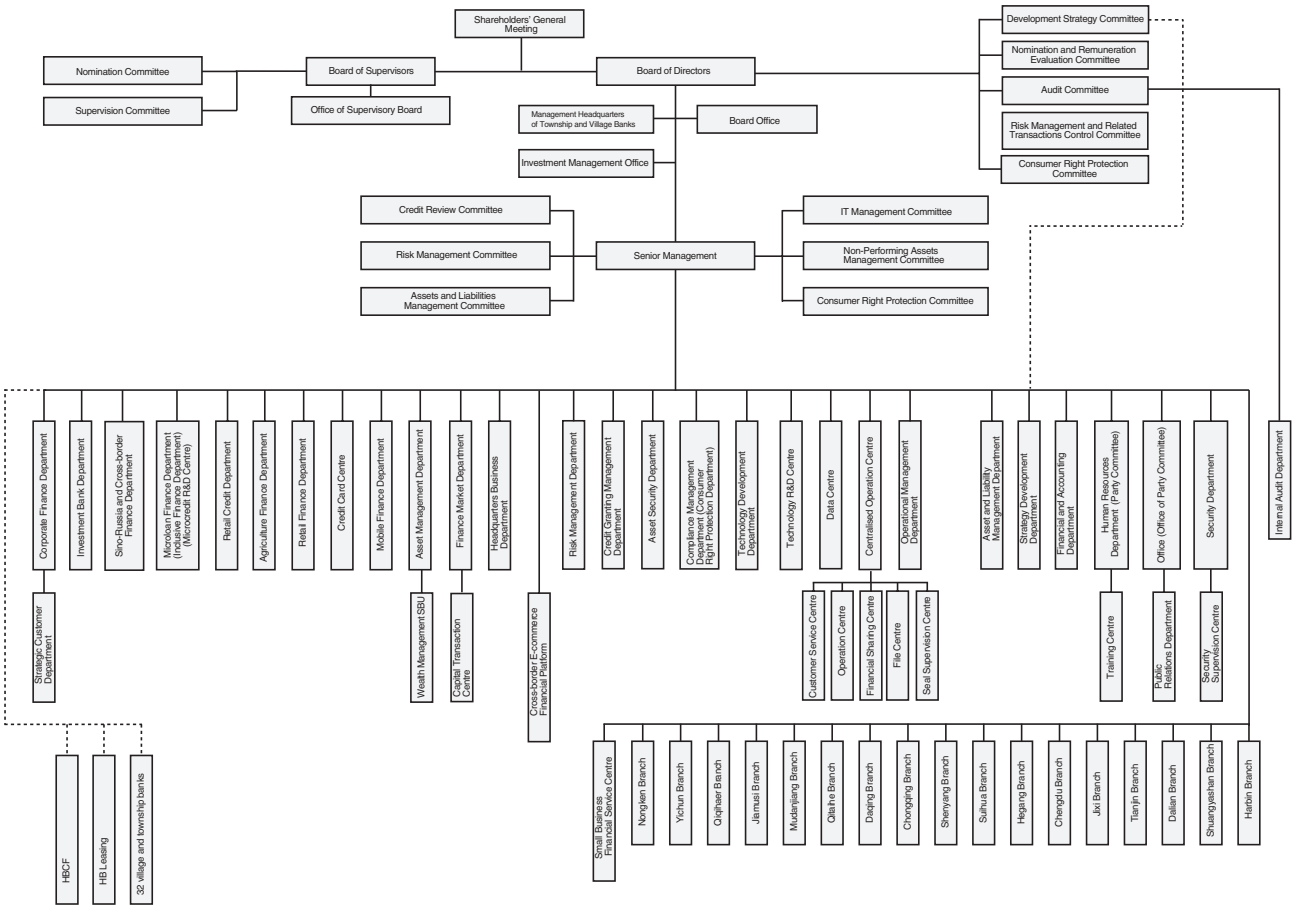
The Proposal on the 2019 Profit Distribution Plan was considered and approved at the 2019 annual general meeting held on 15 May 2020, pursuant to which, the Company proposed to distribute final dividend for 2019 of RMB0.10 per share (tax inclusive) to all shareholders and the payment of dividends was completed on 15 July 2020. The Company has not distributed, or proposes to distribute any interim dividend for the six months ended 30 June 2020.

XIII. Significant Subsequent Events

The Company has no significant subsequent events from the end of the Reporting Period to the date of publication of this report.

Organisation Chart

Organisation Chart of Harbin Bank



Financial Statements

I. Report on Review of Interim Financial Information

II. Unaudited Condensed Consolidated Interim Financial Information (Condensed Consolidated Statement of Income, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows)

III. Notes to Condensed Consolidated Interim Financial Statements

IV. Unaudited Supplementary Financial Information

Report on Review of Interim Financial Information

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To the Board of Directors of Harbin Bank Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 93 to 183, which comprises the condensed consolidated statement of financial position of Harbin Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and 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* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
28 August 2020

Condensed Consolidated Statement of Income

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2020	2019
		Unaudited	Unaudited
Interest income	4	13,958,592	14,613,563
Interest expense	4	(8,125,809)	(9,437,841)
NET INTEREST INCOME	4	5,832,783	5,175,722
Fee and commission income	5	1,167,473	1,536,599
Fee and commission expense	5	(109,657)	(74,355)
NET FEE AND COMMISSION INCOME	5	1,057,816	1,462,244
Net trading income	6	629,222	515,938
Net gain on financial investments	7	253,574	224,182
Other operating income, net	8	67,524	46,516
OPERATING INCOME		7,840,919	7,424,602
Operating expenses	9	(1,834,014)	(1,953,696)
Credit impairment losses	10	(3,586,807)	(2,661,067)
OPERATING PROFIT		2,420,098	2,809,839
PROFIT BEFORE TAX		2,420,098	2,809,839
Income tax expense	11	(566,762)	(600,926)
PROFIT FOR THE PERIOD		1,853,336	2,208,913
Attributable to:			
Owners of the parent		1,857,835	2,175,654
Non-controlling interests		(4,499)	33,259
		1,853,336	2,208,913
EARNINGS PER SHARE (RMB yuan)			
Basic and diluted	13	0.17	0.20

Details of the dividends declared and paid or proposed are disclosed in note 12 to these financial statements.

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

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2020	2019
		Unaudited	Unaudited
Profit for the period		1,853,336	2,208,913
Other comprehensive income (after tax, net):			
Other comprehensive income attributable to owners of the parent	35	(97,235)	(157,209)
Items that will not be reclassified to profit or loss			
– Net losses on investments in equity instruments designated at fair value through other comprehensive income	35	(1,087)	–
Items that may be reclassified subsequently to profit or loss			
– Net losses on investments in debt instruments measured at fair value through other comprehensive income	35	(131,746)	(183,964)
– Allowance for credit impairment on investments in debt instruments measured at fair value through other comprehensive income	35	35,598	26,755
Subtotal of other comprehensive income for the period, net of tax		(97,235)	(157,209)
Total comprehensive income for the period		1,756,101	2,051,704
Total comprehensive income attributable to:			
Owners of the parent		1,760,600	2,018,445
Non-controlling interests		(4,499)	33,259
Total		1,756,101	2,051,704

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

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

(Amount in thousands of RMB, unless otherwise stated)

	Note	As at 30 June 2020	As at 31 December 2019
		Unaudited	Audited
ASSETS			
Cash and balances with the central bank	14	84,786,888	52,282,319
Due from banks and other financial institutions	15	6,014,642	3,731,686
Loans and advances to customers	16	274,200,876	258,496,366
Derivative financial assets	17	10,601	28,521
Financial investments	18	233,030,515	231,843,228
– financial assets at fair value through profit or loss		64,403,729	59,606,966
– financial assets at fair value through other comprehensive income		28,723,626	26,727,296
– financial assets at amortised cost		139,903,160	145,508,966
Financial lease receivables	19	24,867,552	23,124,389
Property and equipment	20	9,038,785	8,947,322
Deferred income tax assets	21	3,003,371	2,638,284
Other assets	22	3,393,255	1,997,323
TOTAL ASSETS		638,346,485	583,089,438
LIABILITIES			
Due to the central bank	23	4,339,109	3,603,534
Borrowings from banks and other financial institutions	24	8,672,249	13,053,570
Due to banks	25	17,290,773	12,564,272
Derivative financial liabilities		8,961	26,881
Repurchase agreements	26	2,661,445	18,361,742
Due to customers	27	502,866,803	431,361,665
Income tax payable		496,648	830,391
Debt securities issued	28	43,362,266	45,962,823
Other liabilities	29	6,350,526	5,683,396
TOTAL LIABILITIES		586,048,780	531,448,274
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	10,995,600	10,995,600
Capital reserve	31	7,663,342	7,663,342
Other comprehensive income	35	222,691	319,926
Surplus reserves	32	3,782,467	3,782,467
General and regulatory reserves	33	7,550,540	7,520,778
Undistributed profits	34	20,273,071	19,544,558
		50,487,711	49,826,671
Non-controlling interests		1,809,994	1,814,493
TOTAL EQUITY		52,297,705	51,641,164
TOTAL EQUITY AND LIABILITIES		638,346,485	583,089,438

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

Guo Zhiwen	**LYU Tianjun**	**Wang Haibin**	**Chen Liyang**
Chairman	President	Executive Vice President of Finance	General Manager of Finance and Accounting Department

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Amount in thousands of RMB, unless otherwise stated)

		Unaudited							
		Equity attributable to owners of the parent							
	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
Balance as at 1 January 2020		10,995,600	7,663,342	319,926	3,782,467	7,520,778	19,544,558	1,814,493	51,641,164
Movements in this period		–	–	(97,235)	–	29,762	728,513	(4,499)	656,541
Total comprehensive income	35	–	–	(97,235)	–	–	1,857,835	(4,499)	1,756,101
Profit distribution		–	–	–	–	29,762	(1,129,322)	–	(1,099,560)
1. Appropriation to general and regulatory reserves (i)		–	–	–	–	29,762	(29,762)	–	–
2. Distribution to shareholders		–	–	–	–	–	(1,099,560)	–	(1,099,560)
Balance as at 30 June 2020		10,995,600	7,663,342	222,691	3,782,467	7,550,540	20,273,071	1,809,994	52,297,705

(i) Includes the appropriation made by subsidiaries in the amount of RMB29,762 thousand.

		Unaudited							
		Equity attributable to owners of the parent							
	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
Balance as at 1 January 2019		10,995,600	7,638,457	351,284	3,425,328	7,143,548	16,720,480	1,216,820	47,491,517
Movements in this period		–	24,885	(157,209)	–	369,963	1,805,691	556,552	2,599,882
Total comprehensive income	35	–	–	(157,209)	–	–	2,175,654	33,259	2,051,704
Capital contributed by owners		–	22	–	–	–	–	549,256	549,278
Profit distribution		–	–	–	–	369,963	(369,963)	(1,100)	(1,100)
1. Appropriation to general and regulatory reserves (i)		–	–	–	–	369,963	(369,963)	–	–
2. Distribution to shareholders		–	–	–	–	–	–	(1,100)	(1,100)
Others		–	24,863	–	–	–	–	(24,863)	–
Balance as at 30 June 2019		10,995,600	7,663,342	194,075	3,425,328	7,513,511	18,526,171	1,773,372	50,091,399

(i) Includes the appropriation made by subsidiaries in the amount of RMB88,965 thousand.

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

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(Amount in thousands of RMB, unless otherwise stated)

		Audited							
		Equity attributable to owners of the parent							
	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
As at 1 January 2019		10,995,600	7,638,457	351,284	3,425,328	7,143,548	16,720,480	1,216,820	47,491,517
Movements in this year		–	24,885	(31,358)	357,139	377,230	2,824,078	597,673	4,149,647
Total comprehensive income	35	–	–	(31,358)	–	–	3,558,447	76,630	3,603,719
Capital contributed by owners		–	–	–	–	–	–	549,256	549,256
Profit distribution		–	–	–	357,139	377,230	(734,369)	(3,350)	(3,350)
1. Appropriation to surplus reserves		–	–	–	357,139	–	(357,139)	–	–
2. Appropriation to general and regulatory reserves (i)		–	–	–	–	377,230	(377,230)	–	–
3. Distribution to shareholders		–	–	–	–	–	–	(3,350)	(3,350)
Other		–	24,885	–	–	–	–	(24,863)	22
Balance as at 31 December 2019		10,995,600	7,663,342	319,926	3,782,467	7,520,778	19,544,558	1,814,493	51,641,164

(i) Includes the appropriation made by subsidiaries in the amount of RMB96,233 thousand.

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

Condensed Consolidated Statement of Cash Flows

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2020	2019
		Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,420,098	2,809,839
Adjustments for:			
Depreciation and amortisation	9	390,730	326,529
Net trading gains	6	(629,222)	(515,938)
Interest income on financial investments		(4,278,636)	(4,767,131)
Impairment losses on loans and advances to customers	10	2,901,995	1,782,713
Impairment losses on other assets	10	684,812	878,354
Unrealised foreign exchange losses		(29,576)	(4,197)
Interest expense on issuance of bonds	4	861,959	1,908,411
Interest expense on lease liabilities		11,621	–
Accreted interest on impaired loans		(66,032)	(50,237)
Net gains on disposal of financial investments	7	(253,574)	(224,182)
Net gains on disposal of property and equipment		(65)	(537)
		2,014,110	2,143,624
Net decrease/(increase) in operating assets:			
Due from the central bank		(10,437,313)	(515,356)
Due from banks and other financial institutions		564,802	2,402,886
Reverse repurchase		–	8,711
Loans and advances to customers		(18,540,473)	(8,846,434)
Financial lease receivables		(1,788,925)	(4,690,934)
Other assets		(1,483,377)	(3,596,104)
		(31,685,286)	(15,237,231)
Net increase/(decrease) in operating liabilities:			
Due to the central bank		735,575	6,749,919
Borrowings from banks and other financial institutions		(4,381,321)	6,595,614
Due to banks		4,726,501	(5,778,380)
Repurchase agreements		(15,700,297)	5,029,227
Due to customers		71,505,138	21,381,455
Other liabilities		117,380	620,597
		57,002,976	34,598,432
Net cash flows from operating activities before tax		27,331,800	21,504,825
Income tax paid		(1,233,182)	(716,943)
Net cash flows from operating activities		26,098,618	20,787,882

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

	Note	For the six-month period ended 30 June 2020	2019
		Unaudited	Unaudited
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchases of items of property and equipment, intangible assets and other long term assets		(376,250)	(318,371)
Proceeds from disposal of property and equipment		511	2,389
Cash paid for investments		(610,677,726)	(1,167,689,300)
Proceeds from sale and redemption of investments		608,908,713	1,157,202,478
Return on investments		5,009,699	5,351,727
Net cash flows from/(used in) investing activities		2,864,947	(5,451,077)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		–	549,278
Proceeds from issue of other debt securities		57,958,606	29,453,564
Payment for redemption of debt securities		(59,914,500)	(58,132,295)
Interest and issue expenses paid on debt securities		(1,506,622)	(2,882,384)
Payment for lease liabilities		(38,233)	–
Dividends paid on ordinary shares		(531,362)	(1,100)
Net cash flows used in financing activities		(4,032,111)	(31,012,937)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		24,931,454	(15,676,132)
Cash and cash equivalents at the beginning of the period		16,414,032	64,157,392
Effect of exchange rate changes on cash and cash equivalents		(6,473)	10,198
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36	41,339,013	48,491,458
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		9,001,342	9,461,729
Interest paid		(6,158,871)	(4,804,338)

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

1. Corporate information and group structure

Harbin Bank Co., Ltd. (the "Bank") is a joint-stock commercial bank established on 25 July 1997, based on the authorisation of the People's Bank of China ("PBOC") designated as YinFu [1997] No.69 "Approval upon the opening of Harbin Urban Cooperative Bank".

The Bank obtained its finance permit No. B0306H223010001 from the China Banking and Insurance Regulatory Commission ("CBIRC"). The Bank obtained its business licence No. 912301001275921118 from the Market Supervision Administration of Harbin. The legal representative is Guo Zhiwen and the registered office is located at No. 160 Shangzhi Avenue, Daoli District, Harbin, Heilongjiang Province.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise deposit services, loan services, payment and settlement services and financial leasing services, as well as other financial services approved by the CBIRC.

The subsidiaries of the Bank as at 30 June 2020 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights	Amount invested by the Bank	Principal activities
			%		
Bayan Rongxing Village and Township Bank Co., Ltd.	Bayan, Heilongjiang	50,000	100.00	53,400	Village and township bank
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30,000	100.00	30,000	Village and township bank
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	200,000	85.00	207,600	Village and township bank
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30,000	100.00	30,000	Village and township bank
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	Baoan, Shenzhen	220,000	70.00	140,000	Village and township bank
Yanshou Rongxing Village and Township Bank Co., Ltd.	Yanshou, Heilongjiang	30,000	100.00	30,000	Village and township bank
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	150,000	80.00	144,420	Village and township bank
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80,000	75.00	60,000	Village and township bank

1. Corporate information and group structure *(Continued)*

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights	Amount invested by the Bank	Principal activities
			%		
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	50,000	98.00	49,000	Village and township bank
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	30,000	100.00	30,000	Village and township bank
Yanshi Rongxing Village and Township Bank Co., Ltd.	Yanshi, Henan	30,000	100.00	30,000	Village and township bank
Leping Rongxing Village and Township Bank Co., Ltd.	Leping, Jiangxi	30,000	100.00	30,000	Village and township bank
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	Rudong, Jiangsu	106,000	80.00	80,000	Village and township bank
Honghu Rongxing Village and Township Bank Co., Ltd.	Honghu, Hubei	30,000	100.00	30,000	Village and township bank
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	Zhuzhou, Hunan	55,000	80.00	40,000	Village and township bank
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	Wulong, Chongqing	50,000	70.00	35,000	Village and township bank
Xin'an Rongxing Village and Township Bank Co., Ltd.	Xin'an, Henan	33,300	90.09	30,000	Village and township bank
Anyi Rongxing Village and Township Bank Co., Ltd.	Anyi, Jiangxi	30,000	100.00	30,000	Village and township bank
Yingcheng Rongxing Village and Township Bank Co., Ltd.	Yingcheng, Hubei	40,000	100.00	30,000	Village and township bank
Leiyang Rongxing Village and Township Bank Co., Ltd.	Leiyang, Hunan	50,000	100.00	50,000	Village and township bank
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	Baoting, Hainan	30,000	96.67	29,000	Village and township bank
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	Shapingba, Chongqing	100,000	80.00	80,000	Village and township bank

1. Corporate information and group structure *(Continued)*

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights	Amount invested by the Bank	Principal activities
			%		
Hejian Ronghui Village and Township Bank Co., Ltd.	Hejian, Hebei	50,000	100.00	50,000	Village and township bank
Chongqing Youyang Village and Township Bank Co., Ltd.	Youyang, Chongqing	60,000	100.00	60,000	Village and township bank
Ning'an Rongxing Village and Township Bank Co., Ltd.	Ning'an, Heilongjiang	30,000	100.00	30,000	Village and township bank
Huanan Rongxing Village and Township Bank Co., Ltd.	Huanan, Heilongjiang	30,000	100.00	30,000	Village and township bank
Nehe Rongxing Village and Township Bank Co., Ltd.	Nehe, Heilongjiang	50,000	80.00	40,000	Village and township bank
Pingliang Kongtong Rongxing Village and Township Bank Co., Ltd.	Pingliang, Gansu	50,000	90.00	45,000	Village and township bank
Tianshui Maiji Rongxing Village and Township Bank Co., Ltd.	Tianshui, Gansu	50,000	98.00	49,000	Village and township bank
Zhongjiang Rongxing Village and Township Bank Co., Ltd.	Zhongjiang, Sichuan	50,000	70.00	35,000	Village and township bank
Chengdu Qingbaijiang Rongxing Village and Township Bank Co., Ltd.	Chengdu, Sichuan	100,000	70.00	70,000	Village and township bank
Langzhong Rongxing Village and Township Bank Co., Ltd.	Langzhong, Sichuan	50,000	90.00	45,000	Village and township bank
Harbin Bank Financial Leasing Co., Ltd.	Harbin, Heilongjiang	2,000,000	80.00	1,600,000	Leasing company
Harbin Bank Consumer Finance Co., Ltd.	Harbin, Heilongjiang	1,500,000	53.00	795,000	Consumer finance company

2. Basis of presentation and principal accounting policies

The unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2019.

2.1 Standards and amendments effective in 2020

On 1 January 2020, the Group adopted the following new standards and amendments.

IFRS 3 Amendments	*Definition of a Business*
IAS 1 and IAS 8 Amendments	*Definition of Material*
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*
IFRS 16 Amendment	*Covid-19-Related Rent Concessions*

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general-purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

2. Basis of presentation and principal accounting policies *(Continued)*

2.1 Standards and amendments effective in 2020 *(Continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform. The amendments must be applied retrospectively.

IFRS 16 Amendment provides for rent relief during COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease changes in IFRS 16 for rent relief granted due to the impact of COVID-19.The amendment is applicable for annual reporting periods beginning on or after 1 June 2020 and permit earlier application. The Group has applied the amendments from 1 January 2020.

The adoption of the above standards and amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

2.2 Standards and amendments that are not yet effective and have not been early adopted by the Group in 2020

		Effective for annual periods beginning on or after
IFRS 3 Amendments	*Reference to the Conceptual Framework*	1 January 2022
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
IAS 37 Amendments	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
IAS 1 Amendments	*Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17 and Amendments	*Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		1 January 2022

The Group is considering the impact of the above standards on the consolidated financial statements.

3. Significant accounting judgements and estimates

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2019.

4. Net interest income

	For the six-month period ended 30 June	
	2020	2019
Interest income on:		
Loans and advances to customers	8,379,843	8,146,201
– Corporate loans and advances	4,584,806	4,218,663
– Personal loans	3,690,450	3,924,556
– Discounted bills	104,587	2,982
Reverse repurchase agreements	102,126	295,451
Financial assets at fair value through other comprehensive income	625,270	719,607
Financial assets at amortised cost	3,653,366	4,047,524
Due from the central bank	362,311	366,276
Due from banks and other financial institutions	78,295	248,102
Financial lease receivables	757,381	790,402
Subtotal	13,958,592	14,613,563
Interest expense on:		
Due to customers	(6,513,754)	(6,312,379)
Repurchase agreements	(154,618)	(66,016)
Due to banks	(210,504)	(584,598)
Debt securities issued	(861,959)	(1,908,411)
Due to the central bank	(59,500)	(65,679)
Borrowings from banks and other financial Institutions	(313,853)	(483,643)
Lease liabilities	(11,621)	(17,115)
Subtotal	(8,125,809)	(9,437,841)
Net interest income	5,832,783	5,175,722
Including: interest income on impaired loans	66,032	50,237

5. Net fee and commission income

	For the six-month period ended 30 June	
	2020	2019
Fee and commission income		
Advisory and consulting fees	121,488	344,377
Settlement and clearing fees	8,670	46,125
Agency and custodian fees	316,291	508,068
Including: non-guaranteed wealth management products	166,215	306,655
Bank card fees	717,494	613,001
Others	3,530	25,028
Subtotal	1,167,473	1,536,599
Fee and commission expense		
Settlement and clearing fees	(62,831)	(9,551)
Agency fees	(2,861)	(2,493)
Bank card fees	(17,852)	(44,154)
Others	(26,113)	(18,157)
Subtotal	(109,657)	(74,355)
Net fee and commission income	1,057,816	1,462,244

6. Net trading income

	For the six-month period ended 30 June	
	2020	2019
Financial assets at fair value through profit or loss	629,222	516,681
Derivative financial instruments	–	(743)
Total	629,222	515,938

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets at fair value through profit or loss and derivative financial instruments.

7. Net gain on financial investments

	For the six-month period ended 30 June	
	2020	2019
Gain on disposal of financial asset at amortised cost	56,895	–
Gain on disposal of financial assets at fair value through other comprehensive income, net	196,679	224,182
Total	253,574	224,182

8. Other operating income, net

	For the six-month period ended 30 June	
	2020	2019
Net gain on sale of property and equipment	65	537
Loss from foreign exchange, net	23,103	14,395
Leasing income	33,329	14,967
Government grants and subsidies	4,697	14,717
Others	6,330	1,900
Total	67,524	46,516

9. Operating expenses

	For the six-month period ended 30 June	
	2020	2019
Staff costs:		
Salaries, bonuses and allowances	658,097	739,334
Social insurance	116,525	125,941
Housing fund	76,712	61,578
Staff benefits	34,444	38,848
Labour union expenditure and education costs	8,216	11,742
Early retirement benefits	84	–
Subtotal	894,078	977,443
General and administrative expenses	233,829	291,889
Tax and surcharges	106,316	96,584
Depreciation and amortisation	390,730	326,529
Leasing expense	35,029	46,193
Auditors' remuneration	1,500	1,415
Others	172,532	213,643
Total	1,834,014	1,953,696

10. Credit impairment losses

	For the six-month period ended 30 June	
	2020	2019
Loans and advances to customers	2,901,995	1,782,713
Financial investments		
– financial assets at fair value through profit or loss	47,465	35,673
– financial assets at amortised cost	583,421	481,263
Subtotal	630,886	516,936
Financial lease receivables	45,762	212,911
Credit commitments	8,164	(1,679)
Others	–	150,186
Total	3,586,807	2,661,067

11. Income tax expense

(a) Income tax

	For the six-month period ended 30 June	
	2020	2019
Current income tax	899,437	1,023,110
Deferred income tax	(332,675)	(422,184)
	566,762	600,926

(b) Reconciliation between income tax and accounting profit

The income tax of the Group's institutions has been provided at the statutory rate of 25% or 15%. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	For the six-month period ended 30 June	
	2020	2019
Profit before tax	2,420,098	2,809,839
Tax at the PRC statutory income tax rate	605,025	702,460
Items not deductible for tax purposes (i)	14,668	14,516
Non-taxable income (ii)	(189,725)	(122,488)
Adjustment for income tax from prior years	72,365	5,862
Effect of different tax rates for certain subsidiaries	12,035	576
Effect of unrecognised tax deductible losses	52,394	–
Tax expense at the Group's effective income tax rate	566,762	600,926

Notes:

(i) The non-deductible items mainly represent non-deductible expenses.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and local government bonds, and public fund dividends, which are exempted from income tax under Chinese tax regulations.

12. Dividends

	For the six-month period ended 30 June	
	2020	2019
Dividend on ordinary shares declared and paid or proposed:		
Final dividend for 2019: RMB0.10 per share **		
(2018: Nil *)	1,099,560	–

* The Bank did not distribute any dividend for the year ended 31 December 2018.

** Based on the total number of shares as at 31 December 2019 at RMB0.10 per share, distributed in cash.

13. Earnings per share

The calculation of basic earnings per share is based on the following:

	For the six-month period ended 30 June	
	2020	2019
Earnings:		
Profit attributable to owners of the parent	1,857,835	2,175,654
Shares:		
Weighted average number of ordinary shares in issue (in thousands)	10,995,600	10,995,600
Basic and diluted earnings per share (in RMB yuan)	0.17	0.20

The basic earnings per share amount was computed by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares for the six-month period ended 30 June 2020 (For the six-month period ended 30 June 2019: Nil).

14. Cash and balances with the central bank

	Group	
	30 June 2020	31 December 2019
Cash and unrestricted balances with the central bank:		
Cash on hand	808,246	725,437
Mandatory reserves with the central bank (i)	48,334,322	37,908,758
Surplus reserves with the central bank (ii)	35,343,493	13,359,046
Fiscal deposits with the central bank	280,182	272,522
Subtotal	84,766,243	52,265,763
Accrued interest	20,645	16,556
Total	84,786,888	52,282,319

(i) The Group is required to place mandatory reserve deposits with the PBOC. Mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 30 June 2020 and 31 December 2019, the mandatory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.

(ii) Surplus reserves with the central bank include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

15. Due from banks and other financial institutions

	Group	
	30 June 2020	31 December 2019
Nostro accounts:		
Banks operating outside Mainland China	3,446,492	1,788,537
Other financial institutions operating in Mainland China	184,772	108,664
Banks operating outside Mainland China	1,485,720	301,679
Subtotal	5,116,984	2,198,880
Accrued interest	10,061	7,312
Less: Allowance for impairment losses	(16,602)	(4,542)
Subtotal	5,110,443	2,201,650
Placements with banks and other financial institutions:		
Banks operating in Mainland China	–	662,739
Other financial institutions operating in Mainland China	700,000	450,000
Banks operating outside Mainland China	200,000	413,627
Subtotal	900,000	1,526,366
Accrued interest	6,271	7,835
Less: Allowance for impairment losses	(2,072)	(4,165)
Subtotal	904,199	1,530,036
Total	6,014,642	3,731,686

As at 30 June 2020 and 31 December 2019, all the amounts due from banks and other financial institutions of the Group were in Stage 1.

16. Loans and advances to customers

16.1 Analysis of loans and advances to customers by measurement category

	Group	
	30 June 2020	31 December 2019
Loans and advances measured at amortised cost		
– Corporate loans and advances	157,274,579	140,578,332
– Personal loans	119,062,200	119,083,896
Subtotal	276,336,779	259,662,228
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	3,338,869	3,941,883
Total loans and advances to customers	279,675,648	263,604,111
Accrued interest	3,401,139	2,900,609
Less: allowance for impairment losses	(8,875,911)	(8,008,354)
Loans and advances to customers, net	274,200,876	258,496,366

16.2 Analysis of loans and advances to customers by industry, collateral type and analysis of overdue loans and advances to customers are presented in Note 43(a).

16.3 Analysis of loans and advances to customers

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 30 June 2020				
Total loans and advances	257,713,799	11,933,564	6,689,416	276,336,779
Accrued interest	3,351,630	49,509	–	3,401,139
Allowance for impairment losses	(2,767,495)	(2,352,775)	(3,755,641)	(8,875,911)
Loans and advances to customers, net	258,297,934	9,630,298	2,933,775	270,862,007

16. Loans and advances to customers *(Continued)*

16.3 Analysis of loans and advances to customers *(Continued)*

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 31 December 2019				
Total loans and advances	245,294,842	9,115,843	5,251,543	259,662,228
Accrued interest	2,866,210	32,641	1,758	2,900,609
Allowance for impairment losses	(2,660,191)	(1,746,632)	(3,601,531)	(8,008,354)
Loans and advances to customers, net	245,500,861	7,401,852	1,651,770	254,554,483

16.4 Reconciliation of allowances for impairment losses on loans and advances to customers

	For the six-month period ended 30 June 2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 1 January 2020	2,660,191	1,746,632	3,601,531	8,008,354
Exchange difference	–	–	42	42
Impairment loss charge for the period	41,944	982,694	1,877,357	2,901,995
Stage conversion	65,360	(376,551)	311,191	–
Converted to Stage I	228,359	(189,899)	(38,460)	–
Converted to Stage II	(111,197)	279,708	(168,511)	–
Converted to Stage III	(51,802)	(466,360)	518,162	–
Write-off and transfer out	–	–	(2,017,702)	(2,017,702)
Recovery of loans and advances previously written off	–	–	49,254	49,254
Accreted interest on impaired loans	–	–	(66,032)	(66,032)
As at 30 June 2020	2,767,495	2,352,775	3,755,641	8,875,911

As at 30 June 2020, the Group adjusted the five-level classification and customer rating of loans and advance to customers, and the loan principal of RMB9,529 million in stage 1 was transferred to stage 2 and stage 3, and the corresponding impairment provision increased by RMB2,377 million. The loan principal transferred from stage 2 to stage 3 was RMB1,856 million, with a corresponding increase in impairment provision of RMB467 million. The loan principal transferred from stage 2 to stage 1 was RMB1,323 million, and the corresponding impairment provision decreased by RMB103 million. The principal of the loan transferred from stage 3 to stage 1 and stage 2 was RMB401 million, with a corresponding decrease in impairment provision of RMB142 million.

16. Loans and advances to customers *(Continued)*

16.4 Reconciliation of allowances for impairment losses on loans and advances to customers *(Continued)*

	For the year ended 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 1 January 2019	2,145,122	2,175,810	3,148,170	7,469,102
Exchange difference	–	–	7	7
Impairment loss charge for the period	277,493	290,119	3,118,567	3,686,179
Stage conversion	237,576	(719,297)	481,721	–
Converted to Stage I	556,302	(535,960)	(20,342)	–
Converted to Stage II	(248,487)	262,718	(14,231)	–
Converted to Stage III	(70,239)	(446,055)	516,294	–
Write-off and transfer out	–	–	(3,103,616)	(3,103,616)
Recovery of loans and advances previously written off	–	–	35,217	35,217
Accreted interest on impaired loans	–	–	(78,535)	(78,535)
As at 31 December 2019	2,660,191	1,746,632	3,601,531	8,008,354

In 2019, the Group adjusted the five-level classification and customer rating of loans and advances to customers, and the loan principal of RMB8,328 million in stage 1 was transferred to stage 2 and stage 3, and the corresponding impairment provision increased by RMB2,741 million. The loan principal transferred from stage 2 to stage 3 was RMB2,206 million, with a corresponding increase in impairment provision of RMB862 million. The principal of the loan transferred from stage 2 to stage 1 was RMB2,321 million, and the corresponding impairment provision decreased by RMB447 million. The principal of the loan transferred from stage 3 to stage 1 and stage 2 was not significant.

17. Derivative financial instruments

The Group enters into related derivative financial instruments related to interest rate, currency rate, and price of precious metal, for trading and on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in interest rates, currency rates and prices of precious metal relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	Group					
	30 June 2020			31 December 2019		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swap	400,000	1,640	–	400,000	1,640	–
Option contracts	1,452,040	8,961	(8,961)	970,390	26,881	(26,881)
	1,852,040	10,601	(8,961)	1,370,390	28,521	(26,881)

18. Financial investments

(a) Financial assets at fair value through profit or loss

	Group	
	30 June 2020	31 December 2019
Government debt securities	878,727	1,479,488
Policy bank debt securities	477,088	1,023,241
Financial institution debt securities	151,035	153,347
Corporate debt securities	1,862,651	1,854,198
Funds (i)	13,839,417	7,749,767
Trust fund plans and asset management plans (ii)	46,776,917	46,879,785
Subtotal	63,985,835	59,139,826
Equity instruments	277,626	278,997
Accrued interest	140,268	188,143
Total	64,403,729	59,606,966

(i) The Group's fund investments were debt instruments and could not pass the SPPI tests.

(ii) The Group classified the trust fund plans and asset management plans that could not pass the SPPI tests as financial assets at fair value through profit or loss.

18. Financial investments *(Continued)*

(b) Financial assets at fair value through other comprehensive income

	Group	
	30 June 2020	31 December 2019
Government debt securities	12,787,585	12,570,326
Policy bank debt securities	4,486,395	4,873,713
Financial institution debt securities	1,083,286	2,043,137
Corporate debt securities	9,756,692	6,678,878
Subtotal (i)	28,113,958	26,166,054
Equity investments (ii)	187,802	89,251
Accrued interest	421,866	471,991
Net balance	28,723,626	26,727,296

(i) As at 30 June 2020, RMB69 million debt securities at fair value through other comprehensive income of the Group were in Stage 3, and the Group's accumulated allowance for impairment losses on the above-mentioned debt instruments amounted to RMB105 million. Other debt securities at fair value through other comprehensive income were in stage 1 and the corresponding accumulated allowance for impairment losses amounted to RMB15 million. As at 31 December 2019, RMB69 million debt securities at fair value through other comprehensive income of the Group were in Stage 3, and the Group's accumulated allowance for impairment losses on the above-mentioned debt instruments amounted to RMB60 million. Other debt securities at fair value through other comprehensive income were in Stage 1, and the corresponding accumulated allowance for impairment losses amounted to RMB13 million.

(ii) The Group irrevocably designated parts of its equity investments at fair value through other comprehensive income.

18. Financial investments *(Continued)*

(c) Financial assets at amortised cost

	Group	
	30 June 2020	31 December 2019
Government debt securities	18,350,792	15,631,128
Policy bank debt securities	13,848,105	9,364,146
Financial institution debt securities	330,337	1,099,910
Corporate debt securities	11,492,176	9,958,037
Subtotal	44,021,410	36,053,221
Trust fund plans and asset management plans	98,642,654	111,969,901
Accrued interest	1,817,832	1,481,159
Allowance for impairment losses (i)	(4,578,736)	(3,995,315)
Net balance	139,903,160	145,508,966

(i) Movements of allowance for impairment losses on financial assets at amortised cost during the period/year are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 1 January 2020	660,360	261,546	3,073,409	3,995,315
Impairment loss charge during the period	19,747	149,760	413,914	583,421
As at 30 June 2020	680,107	411,306	3,487,323	4,578,736

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 1 January 2019	809,586	179,993	2,128,214	3,117,793
Impairment loss charge/(reversal) during the year	(149,226)	81,553	945,195	877,522
As at 31 December 2019	660,360	261,546	3,073,409	3,995,315

19. Financial lease receivables

	Group	
	30 June 2020	31 December 2019
Financial lease receivables	28,669,914	26,679,871
Less: unearned financial lease income	(3,173,267)	(2,846,897)
Present value of minimum financial lease receivables	25,496,647	23,832,974
Accrued interest	264,365	253,744
Less: allowance for impairment losses	(893,460)	(962,329)
Net balance	24,867,552	23,124,389

As at 30 June 2020, the carrying amounts of financial lease receivables in Stages 1, 2 and 3 were RMB24,548 million, RMB475 million and RMB474 million respectively, and allowances for impairment losses in Stages 1, 2 and 3 were RMB415 million, RMB119 million and RMB359 million respectively. As at 31 December 2019, the carrying amounts of financial lease receivables in Stages 1, 2 and 3 were RMB22,951 million, RMB253 million and RMB629 million respectively, and allowances for impairment losses in Stages 1, 2 and 3 were RMB404 million, RMB54 million and RMB504 million respectively.

Financial lease receivables, unearned financial lease income and minimum financial lease receivables analysed by remaining period are as follows:

	Group					
	30 June 2020			31 December 2019		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	11,851,923	(1,028,228)	10,823,695	11,132,304	(956,524)	10,175,780
1 year to 2 years	7,742,974	(860,850)	6,882,124	7,865,747	(836,471)	7,029,276
2 years to 3 years	5,303,222	(740,381)	4,562,841	4,325,268	(618,659)	3,706,609
3 years to 5 years	3,679,447	(531,849)	3,147,598	3,266,370	(426,615)	2,839,755
More than 5 years	92,348	(11,959)	80,389	90,182	(8,628)	81,554
	28,669,914	(3,173,267)	25,496,647	26,679,871	(2,846,897)	23,832,974

20. Property and equipment

	Group						
	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Operating lease fixed assets	Total
Cost:							
At 1 January 2019	6,205,096	2,565,194	559,067	1,990,775	73,819	314,398	11,708,349
Additions	97,596	267,531	41,418	135,173	4,044	–	545,762
Transfer from construction in progress	476,409	(478,442)	–	2,033	–	–	–
Other decreases	–	–	(483)	–	–	–	(483)
Disposals	(4,230)	–	–	(28,655)	(7,134)	–	(40,019)
At 31 December 2019 and 1 January 2020	6,774,871	2,354,283	600,002	2,099,326	70,729	314,398	12,213,609
Additions	18,170	277,783	6,780	14,613	1,514	–	318,860
Transfer from construction in progress	18,384	(35,613)	–	17,229	–	–	–
Disposals	(37)	–	(213)	(2,892)	(825)	–	(3,967)
At 30 June 2020	6,811,388	2,596,453	606,569	2,128,276	71,418	314,398	12,528,502
Accumulated depreciation:							
At 1 January 2019	979,984	–	421,570	1,339,118	55,001	59,736	2,855,409
Depreciation charge for the year	179,192	–	54,545	190,263	5,512	14,934	444,446
Disposals	(77)	–	–	(26,892)	(6,599)	–	(33,568)
At 31 December 2019 and 1 January 2020	1,159,099	–	476,115	1,502,489	53,914	74,670	3,266,287
Depreciation charge for the period	101,375	–	24,250	91,405	2,454	7,467	226,951
Disposals	–	–	–	(2,744)	(777)	–	(3,521)
At 30 June 2020	1,260,474	–	500,365	1,591,150	55,591	82,137	3,489,717
Net carrying amount:							
At 31 December 2019	5,615,772	2,354,283	123,887	596,837	16,815	239,728	8,947,322
At 30 June 2020	5,550,914	2,596,453	106,204	537,126	15,827	232,261	9,038,785

20. Property and equipment *(Continued)*

The carrying value of the Group's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	Group	
	30 June 2020	31 December 2019
Held in China:		
Over 50 years	1,618,795	1,649,752
10 to 50 years	3,899,548	3,932,830
Less than 10 years	32,571	33,190
	5,550,914	5,615,772

As at 30 June 2020, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB1,896 million (31 December 2019: RMB2,192 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

21. Deferred income tax assets and liabilities

(a) Analysed by nature

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	12,198,286	3,018,127	11,028,217	2,734,247
Contingent liabilities	74,977	18,744	66,813	16,703
Salaries, bonuses, allowances and subsidies payable	169,525	40,990	118,847	28,321
Early retirement benefits	22,216	5,554	28,638	7,160
Deferred revenue	127,206	31,802	107,476	26,869
Deductible losses	15,841	2,376	45,090	11,272
Others	69,139	17,285	20,793	5,198
Subtotal	12,677,190	3,134,878	11,415,874	2,829,770
Deferred income tax liabilities:				
Changes in fair value of financial assets at fair value through profit or loss	(347,631)	(86,908)	(410,435)	(102,609)
Changes in fair value of financial assets at fair value through other comprehensive income	(176,756)	(44,189)	(353,867)	(88,467)
Change in fair value of derivative financial instruments	(1,640)	(410)	(1,640)	(410)
Subtotal	(526,027)	(131,507)	(765,942)	(191,486)
Net deferred income tax	12,151,163	3,003,371	10,649,932	2,638,284

21. Deferred income tax assets and liabilities *(Continued)*

(b) Movements in deferred income tax

	Group			
	At 1 January 2020	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 30 June 2020
Deferred income tax assets:				
Allowance for impairment losses	2,734,247	283,880	–	3,018,127
Contingent liabilities	16,703	2,041	–	18,744
Changes in fair value of financial assets at fair value through profit or loss	(102,609)	15,701	–	(86,908)
Changes in fair value of financial assets at fair value through other comprehensive income	(88,467)	–	44,278	(44,189)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	11,866	(11,866)	–
Change in fair value of derivative financial instruments	(410)	–	–	(410)
Salaries, bonuses, allowances and subsidies payable	28,321	12,669	–	40,990
Early retirement benefits	7,160	(1,606)	–	5,554
Deferred revenue	26,869	4,933	–	31,802
Deductible losses	11,272	(8,896)	–	2,376
Others	5,198	12,087	–	17,285
Net deferred income tax	2,638,284	332,675	32,412	3,003,371

21. Deferred income tax assets and liabilities *(Continued)*

(b) Movements in deferred income tax *(Continued)*

	Group			
	At 1 January 2019	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2019
Deferred income tax assets:				
Allowance for impairment losses	2,119,603	614,644	–	2,734,247
Contingent liabilities	24,088	(7,385)	–	16,703
Changes in fair value of financial assets at fair value through profit or loss	(86,007)	(16,602)	–	(102,609)
Changes in fair value of financial assets at fair value through other comprehensive income	(115,190)	–	26,723	(88,467)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	16,270	(16,270)	–
Change in fair value of derivative financial instruments	(410)	–	–	(410)
Salaries, bonuses, allowances and subsidies payable	15,556	12,765	–	28,321
Early retirement benefits	8,475	(1,315)	–	7,160
Deferred revenue	47,615	(20,746)	–	26,869
Deductible losses	–	11,272	–	11,272
Others	–	5,198	–	5,198
Net deferred income tax	2,013,730	614,101	10,453	2,638,284

As at 30 June 2020, the Group did not have significant unrecognised deferred income tax assets and liabilities (31 December 2019: Nil).

22. Other assets

	Group	
	30 June 2020	31 December 2019
Interest receivable (a)	348,743	279,660
Right-of-use assets (b)	524,227	600,788
Land use rights (c)	4,535	4,630
Advance payments	167,643	190,235
Settlement and clearing accounts	461,022	455,879
Intangible assets (d)	279,954	306,709
Other receivables	1,824,654	404,333
Input VAT carried forward	8,855	12,355
Others	22,810	1,889
Subtotal	3,642,443	2,256,478
Impairment loss	(249,188)	(259,155)
Total	3,393,255	1,997,323

22. Other assets *(Continued)*

(a) Interest receivable

As at 30 June 2020, the carrying amounts of the Group's overdue interest receivables in Stages 1, 2 and 3 were RMB108,694 thousand, RMB240,049 thousand and RMB0, respectively, and the impairment losses were RMB6,530 thousand, RMB38,609 thousand and RMB0, respectively. As at 31 December 2019, the carrying amounts of the Group's overdue interest receivables in Stages 1, 2 and 3 were RMB32,502 thousand, RMB247,116 thousand and RMB42 thousand, respectively, and the impairment losses were RMB2,139 thousand, RMB54,054 thousand and RMB24 thousand, respectively.

(b) Right-of-use assets

	Group		
	Properties and buildings	Motor vehicles and others	Total
Cost:			
At 1 January 2020	711,270	124,735	836,005
Additions	38,661	–	38,661
Decrease	–	(629)	(629)
At 30 June 2020	749,931	124,106	874,037
Accumulated depreciation:			
At 1 January 2020	188,078	47,139	235,217
Additions	97,707	17,515	115,222
Decrease	–	(629)	(629)
At 30 June 2020	285,785	64,025	349,810
Net carrying amount:			
At 1 January 2020	523,192	77,596	600,788
At 30 June 2020	464,146	60,081	524,227

22. Other assets *(Continued)*

(b) Right-of-use assets *(Continued)*

	Group		
	Properties and buildings	Motor vehicles and others	Total
Cost:			
At 1 January 2019	645,858	75,496	721,354
Additions	67,761	53,478	121,239
Decrease	(2,349)	(4,239)	(6,588)
At 1 December 2019	711,270	124,735	836,005
Accumulated depreciation:			
At 1 January 2019	–	–	–
Additions	188,078	47,139	235,217
At 31 December 2019	188,078	47,139	235,217
Net carrying amount:			
At 1 January 2019	645,858	75,496	721,354
At 31 December 2019	523,192	77,596	600,788

(c) Land use rights

	Group	
	30 June 2020	31 December 2019
Located in Mainland China		
10 to 50 years	4,535	4,630

(d) Intangible assets

Intangible assets consist primarily of computer software, which is amortised within five years.

23. Due to the central bank

	Group	
	30 June 2020	31 December 2019
Medium-term lending facility	2,700,000	2,700,000
Small enterprises supporting re-lending	1,232,100	452,000
Agricultural supporting re-lending	320,140	378,000
Poverty alleviation re-lending	37,930	35,010
Subtotal	4,290,170	3,565,010
Interest payable	48,939	38,524
Total	4,339,109	3,603,534

24. Borrowings from banks and other financial institutions

	Group	
	30 June 2020	31 December 2019
Unsecured borrowings	8,559,100	12,703,530
Pledged borrowings	37,500	74,934
Subtotal	8,596,600	12,778,464
Interest payable	75,649	275,106
Total	8,672,249	13,053,570

As at 30 June 2020 and 31 December 2019, the pledged borrowings of RMB38 million and RMB75 million were secured by financial lease receivables of RMB50 million and RMB100 million respectively.

25. Due to banks

	Group	
	30 June 2020	31 December 2019
Deposits:		
Banks operating in Mainland China	15,182,851	8,513,414
Banks operating outside Mainland China	5,654	31,328
Subtotal	15,188,505	8,544,742
Interest payable	176,513	122,929
Subtotal	15,365,018	8,667,671
Placements:		
Banks operating in Mainland China	1,901,130	3,879,898
Subtotal	1,901,130	3,879,898
Interest payable	24,625	16,703
Subtotal	1,925,755	3,896,601
Total	17,290,773	12,564,272

Interest due to banks and other financial institutions is calculated based on contractual interest rates.

26. Repurchase agreements

	Group	
	30 June 2020	31 December 2019
Repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	2,530,765	14,884,615
Other financial institutions operating in Mainland China	98,000	3,438,576
Interest payable	32,680	38,551
Total	2,661,445	18,361,742
Repurchase agreements analysed by collateral:		
Bonds	2,628,765	18,323,191
Interest payable	32,680	38,551
Total	2,661,445	18,361,742

27 Due to customers

	Group	
	30 June 2020	31 December 2019
Demand deposits:		
Corporate customers	123,174,520	104,455,135
Personal customers	42,044,373	44,577,670
Subtotal	165,218,893	149,032,805
Time deposits:		
Corporate customers	106,964,008	91,669,194
Personal customers	223,779,141	184,981,670
Subtotal	330,743,149	276,650,864
Subtotal	495,962,042	425,683,669
Interest payable	6,904,761	5,677,996
Total	502,866,803	431,361,665

28. Debt securities issued

	Group	
	30 June 2020	31 December 2019
Financial bonds issued	1,995,979	5,997,055
Tier 2 capital bonds issued	8,000,000	8,000,000
Negotiable certificates of deposit issued	33,334,412	31,591,418
Subtotal	43,330,391	45,588,473
Interest payable	31,875	374,350
Total	43,362,266	45,962,823

As approved by the PBOC and the CBIRC, the Group has issued financial bonds through the open market in recent years, and issued the tier 2 capital bonds through the open market in 2016. These bonds were traded in the interbank bond market. The Group has not had any defaults of principal or interest or other financial bonds issued during the six-month period ended 30 June 2020 (2019: Nil). The relevant information on these financial bonds is set out below:

Name	Issue date	Issue price (RMB)	Coupon rate	Value date	Maturity date	Issue amount (RMB)
16 Harbin Bank Tier 2	14 June 2016	100	4.00%	16 June 2016	16 June 2026	8,000 million
17 Harbin Bank Green Finance 03	5 May 2017	100	4.75%	10 May 2017	10 May 2022	1,000 million
18 Harbin Bank leasing financial bonds 01	2 May 2018	100	5.48%	4 May 2018	4 May 2021	1,000 million

For the six-month period ended 30 June 2020 and the year ended 31 December 2019, the Group issued respectively 192 tranches and 108 tranches of interbank negotiable certificates of deposit at a face value of RMB100 through the domestic interbank bond market, and sold them at discount. As at 30 June 2020 and 31 December 2019, 129 tranches and 61 tranches of negotiable certificates of deposit issued by the Group have not yet expired, the balances of which were RMB33,334 million and RMB31,590 million respectively, the term ranging from 1 month to 1 year.

29. Other liabilities

	Group	
	30 June 2020	31 December 2019
Wealth management products payable	4,466	4,539
Settlement and clearing accounts	1,210,513	1,026,688
Account payable from agency services	535,577	159,980
Salaries, bonuses, allowances and subsidies payable (a)	280,767	679,541
Sundry tax payables	270,322	214,440
Deferred revenue (b)	192,635	236,895
Dividends payable	597,177	28,979
Accrued expenses	64,573	72,133
Lease guarantee fee	2,139,632	2,064,929
Contingent liabilities	74,977	66,813
Lease liabilities	484,309	510,921
Other payables	495,578	617,538
Total	6,350,526	5,683,396

(a) Salaries, bonuses, allowances and subsidies payable

	Group	
	30 June 2020	31 December 2019
Salaries, bonuses and allowances	174,115	623,657
Social insurance	45,900	11,342
Housing fund	29,324	7,005
Staff benefits	1,071	39
Labour union expenditure and education costs	8,141	8,860
Early retirement benefits	22,216	28,638
Total	280,767	679,541

29. Other liabilities *(Continued)*

(b) Deferred revenue

Deferred revenue consists mainly of deferred revenue from the provision of intermediary services. Deferred revenue will be recognised in the next few years in accordance with the corresponding amortisation expense that is charged to the consolidated statement of income.

	Group	
	30 June 2020	31 December 2019
Intermediary services	192,635	236,895

30. Share capital

	Bank			
	2020		2019	
	Number of shares (thousand)	Nominal value	Number of shares (thousand)	Nominal value
Opening balance	10,995,600	10,995,600	10,995,600	10,995,600
Changes in the current period/year	–	–	–	–
As at 30 June 2020/31 December 2019	10,995,600	10,995,600	10,995,600	10,995,600

31. Capital reserve

	Share premium	Other capital reserve	Total
At 1 January 2019	7,624,993	13,464	7,638,457
Increase during the year	–	24,885	24,885
Decrease during the year	–	–	–
At 31 December 2019	7,624,993	38,349	7,663,342
Increase during the period	–	–	–
Decrease during the period	–	–	–
At 30 June 2020	7,624,993	38,349	7,663,342

32. Surplus reserves

	Statutory surplus reserve	Discretionary surplus reserve	Total
At 1 January 2019	3,399,142	26,186	3,425,328
Appropriation during the year	357,139	–	357,139
At 31 December 2019	3,756,281	26,186	3,782,467
Appropriation during the period	–	–	–
At 30 June 2020	3,756,281	26,186	3,782,467

Under the Company Law of the People's Republic of China, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve. The appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital. Subject to the approval of the shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

33. General and regulatory reserves

	30 June 2020	31 December 2019
Balance as at the beginning of the period/year	7,520,778	7,143,548
Increase during the period/year	29,762	377,230
Balance as at the end of the period/year	7,550,540	7,520,778

From 1 July 2012, according to the requirements of the Administrative Measures for the Provision of Reserves of Financial Enterprises (No.20[2012] of the Ministry of Finance ("MOF")), the Group is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year ending balance of its risk assets.

34. Undistributed profits

	30 June 2020	31 December 2019
Balance as at the beginning of the period/year	19,544,558	16,720,480
Profit for the period/year attributable to owners of the parent	1,857,835	3,558,447
Net of:		
Appropriation to statutory surplus reserves	–	(357,139)
Appropriation to general and regulatory reserves	(29,762)	(377,230)
Dividends	(1,099,560)	–
Balance as at the end of the period/year	20,273,071	19,544,558

An ordinary share dividend of RMB0.10 per share in respect of the profit for the year ended 31 December 2019 was approved by the equity holders of the Group at the Annual General Meeting of 2019 held in May 2020.

As approved by the equity holders of the Group at the Annual General Meeting held in May 2019, the Bank did not distribute any cash dividends for the year ended 31 December 2018.

35. Other comprehensive income

Transactions of other comprehensive income attributed to owners of the parent in the consolidated statement of income:

	For the six-month period ended 30 June	
	2020	2019
Items that will not be reclassified to profit or loss		
Changes in fair value of equity instruments designated at fair value through other comprehensive income	(1,450)	–
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(78,814)	(228,276)
Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income	47,465	35,673
Transfer to the consolidated statement of income arising from disposal	96,848	(17,009)
Income tax effect	32,412	52,403
Total	(97,235)	(157,209)

35. Other comprehensive income *(Continued)*

Other comprehensive income attributed to owners of the parent in the consolidated statement of financial position:

	1 January 2010	Changes during the period	30 June 2010
Gains/(losses) on debt instruments at fair value through other comprehensive income	271,528	(96,148)	175,380
Gains/(losses) on equity instruments at fair value through other comprehensive income	48,398	(1,087)	47,311
	319,926	(97,235)	222,691

	1 January 2019	Changes during the year	31 December 2019
Gains/(losses) on debt instruments at fair value through other comprehensive income	308,798	(37,270)	271,528
Gains on equity instruments at fair value through other comprehensive income	42,486	5,912	48,398
	351,284	(31,358)	319,926

36. Cash and cash equivalents

On the condensed consolidated statement of cash flows, cash and cash equivalents with an original maturity of less than three months are as follows:

	Group	
	30 June 2020	30 June 2019
Cash on hand (note 14)	808,246	810,890
Balances with the central bank (note 14)	35,343,493	43,374,120
Due from banks and other financial institutions	5,187,274	4,306,448
Total	41,339,013	48,491,458

37. Commitments and contingent liabilities

(a) Capital commitments

The Group had capital commitments as follows:

	Group	
	30 June 2020	31 December 2019
Contracted, but not provided	297,451	321,257

(b) Credit commitments

At any given time, the Group has outstanding commitments to extend credit, in the form of undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of undrawn credit card limits are under the assumption that the amounts will be fully advanced. The amounts for bank bill acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	Group	
	30 June 2020	31 December 2019
Bank bill acceptances	25,922,156	19,489,664
Letters of guarantee issued	1,560,296	1,705,175
Letters of credit	2,595,734	2,634,109
Undrawn credit card limits	20,210,272	19,056,773
Total	50,288,458	42,885,721

37. Commitments and contingent liabilities *(Continued)*

(c) Legal proceedings

As at 30 June 2020 and 31 December 2019, significant legal proceedings exceeding RMB10,000 thousand outstanding against the Group amounted to RMB40,637 thousand. Management expects that there will be no loss caused by these litigations and no provisions need to be made.

(d) Redemption commitments of government bonds

As an underwriting agent of the government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, where the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2020, the Bank had underwritten and sold bonds with an accumulated amount of RMB2,430 million (31 December 2019: RMB3,333 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(e) Assets pledged as security

Financial assets of the Group including debt securities and bills have been pledged as security for liabilities or contingent liabilities which mainly arise from repurchase agreements and negotiated deposits. As at 30 June 2020, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB17,565 million (31 December 2019: approximately RMB30,110 million).

38. Fiduciary activities

	Group	
	30 June 2020	31 December 2019
Designated funds	2,775,452	3,224,299
Designated loans	2,775,452	3,224,299

The designated funds represent the funding that the trustors have instructed the Group to use to grant loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

39. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the 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 has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require the counterparties to pay additional cash collateral or be required to give back part of the cash collateral to the counterparties. For the aforementioned transaction, the Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises the cash collateral received as a financial liability.

As at 30 June 2020 and 31 December 2019, the Group did not hold the above-mentioned financial assets or financial liabilities that were transferred to third parties but did not qualify for derecognition.

Securitisation of credit assets

The Group enters into securitisation of credit assets in the normal course of business by which it transfers credit assets to special purpose entities which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

As at 30 June 2020, the Group derecognised the transferred credit assets in their entirety in the credit asset securitisation transactions. The book value of the corresponding total carrying amount of asset-backed securities held by the Group invested in the credit asset securitisation transactions was RMB168,420 thousand as at 30 June 2020 (31 December 2019: RMB245,865 thousand), which also approximates to the Group's maximum exposure to loss.

40. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments and asset management. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on the Group's controls on them. The interests held by the Group in the unconsolidated structured entities are set out below:

40.1 Unconsolidated structured entities managed by the Group

(1) Wealth management products

When conducting wealth management businesses, the Group has established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2020, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB62,470 million (31 December 2019: RMB65,657 million). For the six-month period ended 30 June 2020, fee and commission income included commission and custodian fee and management fee income from the wealth management business that amounted to RMB166,215 thousand (for the six-month period ended 30 June 2019: RMB306,655 thousand).

For the purpose of asset-liability management, wealth management products may trigger short-term financing needs for the Group and other banks. However, the Group is not contractually obliged to provide financing. During the six-month period ended 30 June 2020, the Group did not provide any financing to the unconsolidated wealth management products (for the six-month period ended 30 June 2019: Nil).

(2) Asset securitisation business

Another type of structured entity managed by the Group but not yet consolidated is the special purpose entities set up by the third trust company due to the Group's asset securitisation transactions. The Group acts as the loan service agency of the special purpose entities and charges the corresponding fees and commissions. The Group believes that its variable returns on these entities are not significant.

For the six-month period ended 30 June 2020, the Group did not transfer credit assets to the special purpose entities (for the six-month period ended 30 June 2019: Nil).

40. Interests in unconsolidated structured entities *(Continued)*

40.2 Structured entities sponsored by other financial institutions

The Group invested some structured entities which are out of the consolidation scope, established and managed by other institutions, and recognised its investment income. These structured entities mainly include wealth management products, specific asset management plans and investment trust plans, etc. These structured entities' nature and purpose are to earn management fees by managing the investors' assets, and the way of financing is to issue investment products to investors. For the six months ended 30 June 2020 and the year ended 31 December 2019, the Group has not provided liquidity support for these structured entities.

As at 30 June 2020, the interests held by the Group through direct investments in the structured entities sponsored by third party financial institutions are set out below:

	As at 30 June 2020			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Maximum exposure to loss
Trust investments and asset management plans	46,776,917	98,642,654	145,419,571	140,941,089
Funds	13,839,417	–	13,839,417	13,839,417

	As at 31 December 2019			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Maximum exposure to loss
Trust investments and asset management plans	46,879,785	111,969,901	158,849,686	154,969,139
Funds	7,749,767	–	7,749,767	7,749,767

41. Related party disclosures

(a) Significant related party disclosures

(i) Shareholders of the Bank with ownership of 5% or above

	Share percentage in the Bank	
Name	30 June 2020	31 December 2019
	%	%
Harbin Economic Development and Investment Company Limited	29.63	29.63
Heilongjiang Financial Holding Group Company Limited	18.51	18.51
Fubon Life Insurance Company Limited	7.03	7.03
Harbin Kechuang Xingye Investment Company Limited	N/A	6.55

(ii) Subsidiaries of the Bank

Details of the subsidiaries of the Bank are set out in note 1 Corporate Information and Group Structure.

(iii) Key management personnel of the Group and their close family members.

(iv) Entities controlled or jointly controlled or significantly influenced by the key management personnel of the Group and their close family members.

41. Related party disclosures *(Continued)*

(b) Related party transactions

1. Transactions between the Group and related parties

(i) Transactions between the Group and shareholders of the Group with ownership of 5% or above

Interest income

	For the six-month period ended 30 June	
Name	2020	2019
Heilongjiang Financial Holding Group Company Limited	35,010	N/A

Interest expense

	For the six-month period ended 30 June	
Name	2020	2019
Harbin Economic Development and Investment Company Limited	4	8,959
Heilongjiang Xin Yongsheng Trading Company Limited	N/A	71
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	N/A	11
Heilongjiang Financial Holding Group Company Limited	8,035	N/A

41. Related party disclosures *(Continued)*

(b) Related party transactions *(Continued)*

1. Transactions between the Group and related parties (Continued)

(ii) Transactions between the Group and key management personnel or their close family members

	For the six-month period ended 30 June	
	2020	2019
Interest income	325	581
Interest expense	322	235

(iii) Transactions between the Bank and its subsidiaries

	For the six-month period ended 30 June	
	2020	2019
Interest income	231,510	177,940
Interest expense	68,168	24,286

(iv) Transactions between the Group and entities that are controlled or jointly controlled or significantly influenced by the key management personnel of the Group or their close family members

Interest expense

	For the six-month period ended 30 June	
Name	2020	2019
Sino Russian Financial Union (Harbin)	12	16

Fee and commission income

	For the six-month period ended 30 June	
Name	2020	2019
Da Cheng Fund Management Company Limited	N/A	1,039

41. Related party disclosures *(Continued)*

(b) Related party transactions *(Continued)*

1. Transactions between the Group and related parties (Continued)

(v) Transactions with other related parties

	For the six-month period ended 30 June	
Name	2020	2019
Emoluments of key management personnel and their close family members	12,417	16,600

In the view of the management of the Group, the transactions with the above related parties were conducted based on general business terms and conditions, general market prices for the pricing and according to the normal business procedures.

2. Balances with related parties

(i) Balances between the Group and shareholders of the Group with ownership of 5% or above

Loans and advances to customers

Name	30 June 2020	31 December 2019
Heilongjiang Financial Holding Group Company Limited	416,978	751,301

Due to customers

Name	30 June 2020	31 December 2019
Harbin Economic Development and Investment Company Limited	11,068	–
Heilongjiang Financial Holding Group Company Limited	1,036,296	29,899

41. Related party disclosures *(Continued)*

(b) Related party transactions *(Continued)*

2. Balances with related parties (Continued)

(ii) Balances between the Group and key management personnel or their close family members

	30 June 2020	31 December 2019
Loans and advances to customers	16,023	17,152
Due to customers	27,815	24,159

(iii) Balances between the Group and its subsidiaries

	30 June 2020	31 December 2019
Due from banks and other financial institutions	18,659,302	11,182,388
Due to banks	6,072,541	5,622,725
Due to customers	1,226,630	1,127,104
Other liabilities	150,322	14,006

(iv) Balances between the Group and entities that are controlled or jointly controlled or significantly influenced by the key management personnel of the Group or their close family members

Due to customers

Name	30 June 2020	31 December 2019
Sino Russian Financial Union (Harbin)	5,832	5,825

42. Segment Information

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as follows:

Corporate financial business

Corporate financial business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

Retail financial business

Retail financial business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Interbank financial business

Interbank financial business covers money market placements, investments and repurchasing, foreign exchange transactions for the Group's own accounts or on behalf of customers.

Other business

This represents businesses other than the corporate financial business, retail financial business and interbank financial business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the People's Bank of China. Expenses are distributed among different segments according to their benefits.

42. Segment Information *(Continued)*

(a) Operating segments *(Continued)*

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
Six months ended 30 June 2020					
External net interest income/ (expense)	2,861,485	(551,869)	3,534,788	(11,621)	5,832,783
Internal net interest income/(expense)	417,732	1,908,556	(2,326,288)	–	–
Net fee and commission income	176,996	743,726	137,094	–	1,057,816
Other income, net (i)	–	–	905,899	44,421	950,320
Operating income	3,456,213	2,100,413	2,251,493	32,800	7,840,919
Operating expenses	(644,731)	(513,054)	(641,403)	(34,826)	(1,834,014)
Impairment losses on:					
Loans and advances to customers	(1,668,538)	(1,233,457)	–	–	(2,901,995)
Others	(90,312)	–	(593,316)	(1,184)	(684,812)
Operating profit	1,052,632	353,902	1,016,774	(3,210)	2,420,098
Profit before tax	1,052,632	353,902	1,016,774	(3,210)	2,420,098
Income tax expense					(566,762)
Profit for the period					1,853,336
Other segment information:					
Depreciation and amortisation	136,201	108,384	145,069	1,076	390,730
Capital expenditure	131,153	104,368	139,693	1,036	376,250
As at 30 June 2020					
Segment assets	226,327,842	164,649,822	245,727,400	1,641,421	638,346,485
Segment liabilities	236,567,964	270,618,559	77,032,635	1,829,622	586,048,780
Other segment information:					
Credit commitments	30,078,186	20,210,272	–	–	50,288,458

(i) Includes trading income/loss, net gain/loss from financial investments and other net operating income/ loss.

42. Segment Information *(Continued)*

(a) Operating segments *(Continued)*

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
Six months ended 30 June 2019					
External net interest income	1,146,026	1,024,370	3,022,441	(17,115)	5,175,722
Internal net interest income/(expense)	1,343,097	744,431	(2,087,528)	–	–
Net fee and commission income	383,407	605,002	473,835	–	1,462,244
Other income, net (i)	–	–	754,515	32,121	786,636
Operating income	2,872,530	2,373,803	2,163,263	15,006	7,424,602
Operating expenses	(636,548)	(542,409)	(745,099)	(29,640)	(1,953,696)
Impairment losses on:					
Loans and advances to customers	(937,262)	(845,451)	–	–	(1,782,713)
Others	(233,697)	–	(516,268)	(128,389)	(878,354)
Operating profit	1,065,023	985,943	901,896	(143,023)	2,809,839
Profit before tax	1,065,023	985,943	901,896	(143,023)	2,809,839
Income tax expense					(600,926)
Profit for the period					2,208,913
Other segment information:					
Depreciation and amortisation	105,141	89,592	131,171	625	326,529
Capital expenditure	102,514	87,353	127,894	610	318,371
As at 30 June 2019					
Segment assets	211,115,288	159,902,806	250,727,294	1,689,293	623,434,681
Segment liabilities	235,899,999	190,480,748	145,790,015	1,172,520	573,343,282
Other segment information:					
Credit commitments	78,490,885	16,538,957	–	–	95,029,842

(i) Includes trading income/loss, net gain/loss from financial investments and other net operating income/loss.

42. Segment Information *(Continued)*

(b) Geographical information

The Group operates principally in Mainland China.

The distribution of the geographical areas is as follows:

Heilongjiang region:	Including Head Office, Harbin, Shuangyashan, Jixi, Hegang, Suihua, Daqing, Qitaihe, Mudanjiang, Jiamusi, Qiqihar, Yichun, Nongken, Harbin Bank Financial Leasing Co., Ltd. and Harbin Bank Consumer Finance Co., Ltd. as well as village and township banks operating within Heilongjiang.
Northeastern China:	Including Dalian, Shenyang, as well as village and township banks operating in Northeastern China excluding those in Heilongjiang.
Southwestern China:	Including Chengdu, Chongqing, as well as village and township banks operating in Southwestern China and mainly located in Sichuan and Chongqing.
Northern China:	Including Tianjin as well as village and township banks operating in Northern China and mainly located in Beijing and Tianjin.
Other regions:	Including village and township banks operating in regions other than those listed above.

42. Segment Information *(Continued)*

(b) Geographical information *(Continued)*

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
Six months ended 30 June 2020						
External net interest income	3,189,298	820,712	1,089,384	556,016	177,373	5,832,783
Internal net interest income/(expense)	(479,166)	124,665	183,051	156,797	14,653	–
Net fee and commission income	945,645	11,177	76,617	23,191	1,186	1,057,816
Other income, net (i)	949,760	80	237	16	227	950,320
Operating income	4,605,537	956,634	1,349,289	736,020	193,439	7,840,919
Operating expenses	(1,328,097)	(135,286)	(212,588)	(90,477)	(67,566)	(1,834,014)
Impairment losses on:						
Loans and advances to customers	(1,565,842)	(317,617)	(177,818)	(753,583)	(87,135)	(2,901,995)
Others	(684,975)	114	334	144	(429)	(684,812)
Operating profit	1,026,623	503,845	959,217	(107,896)	38,309	2,420,098
Profit before tax	1,026,623	503,845	959,217	(107,896)	38,309	2,420,098
Income tax expense						(566,762)
Profit for the period						1,853,336
Other segment information:						
Depreciation and amortisation	385,508	1,234	3,174	368	446	390,730
Capital expenditure	220,906	45,901	64,870	35,317	9,256	376,250
As at 30 June 2020						
Segment assets	476,688,892	45,502,935	59,273,898	46,686,002	10,194,758	638,346,485
Segment liabilities	437,787,285	35,256,294	55,934,085	48,428,308	8,642,808	586,048,780
Other segment information:						
Credit commitments	24,704,949	4,841,619	14,188,027	6,138,595	415,268	50,288,458

(i) Includes trading income/loss, net gain/loss from financial investments and other net operating income/loss.

42. Segment Information *(Continued)*

(b) Geographical information *(Continued)*

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
Six months ended 30 June 2019						
External net interest income	3,900,268	28,377	443,936	592,131	211,010	5,175,722
Internal net interest income/(expense)	(1,876,454)	787,102	870,907	214,617	3,828	–
Net fee and commission income	1,304,920	27,393	99,618	30,482	(169)	1,462,244
Other income, net (i)	782,620	1,500	1,911	729	(124)	786,636
Operating income	4,111,354	844,372	1,416,372	837,959	214,545	7,424,602
Operating expenses	(1,367,381)	(155,498)	(234,683)	(106,752)	(89,382)	(1,953,696)
Impairment losses on:						
Loans and advances to customers	(734,395)	(428,198)	(105,528)	(478,606)	(35,986)	(1,782,713)
Others	(778,457)	(37,280)	(46,982)	(14,478)	(1,157)	(878,354)
Operating profit	1,231,121	223,396	1,029,179	238,123	88,020	2,809,839
Profit before tax	1,231,121	223,396	1,029,179	238,123	88,020	2,809,839
Income tax expense						(600,926)
Profit for the period						2,208,913
Other segment information:						
Depreciation and amortisation	257,998	13,606	44,726	4,437	5,762	326,529
Capital expenditure	176,130	36,169	60,721	35,904	9,447	318,371
As at 30 June 2019						
Segment assets	475,768,064	37,987,916	54,688,517	45,068,466	9,921,718	623,434,681
Segment liabilities	418,807,758	51,203,796	61,346,913	33,626,459	8,358,356	573,343,282
Other segment information:						
Credit commitments	31,820,390	23,588,691	29,727,927	9,160,654	732,180	95,029,842

(i) Includes trading income/loss, net gain/loss from financial investments and other net operating income/loss.

43. Financial instrument risk management

(a) Credit risk

(i) Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contracts and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since initial recognition, the Group calculates the ECL in three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage III: Financial assets with objective evidence of impairment at the end of the reporting period are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the end of current reporting period, if the financial instrument is no longer under the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance for the financial instrument at the end of the current reporting period according to the ECL in the next 12 months.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(i) ***Credit risk measurement*** *(Continued)*

Measurement of ECL *(Continued)*

When measuring the ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of the occurrence of a credit loss is very low.

The Group conducts an assessment of ECL according to forward-looking information and uses complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Models and parameters for measuring ECLs
- Forward-looking information
- Individual impairment assessment

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting period. While determining whether the credit risk has significantly increased or not since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. 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 at the end of the reporting period 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 Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(i) ***Credit risk measurement*** *(Continued)*

Criteria for judging significant increases in credit risk *(Continued)*

Quantitative criteria

- At the reporting date, the rating or the PD of the financial instruments reaches a certain extent, compared with the one at initial recognition.

Qualitative criteria

- The operating or financial condition of the debtor which is highly likely to lead to significant adverse effects
- Be classified into the Special Mention category
- The list of pre-warning debtors

Upper limit criteria

- Debtor contract payments (including principal and interest) are overdue for more than 30 days.

Definition of credit-impaired financial assets

When determining whether a credit impairment occurs under IFRS 9,The Group adopts the method that is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment of a debtor occurs, the following main factors are considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- 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.
- Any principal, advances, interest and corporate bond investments held by debtors are overdue for more than 90 days.

The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(i) Credit risk measurement (Continued)

Parameters of ECL measurement

Depending on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include the PD, LGD and EAD. Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(i) Credit risk measurement (Continued)

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, IVA, CPI, PPI, etc.

The impact of these economic indicators on PD and LGD varies according to different types of business. In this process, the Group mainly applies external data and supplements the internal experts' judgement. The Group determines the impact of these economic indicators on PD and LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, internal experts of the Group determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Modification of contractual cash flows

The modification or re-negotiation of the contract between the Group and the counterparty does not result in the derecognition of the financial assets, but results in a change in the contractual cash flows. Such contract modifications include loan extension, modification of the repayment schedule, and change of the settlement method. When the contract modification does not cause substantial changes and does not result in the derecognition of the original assets, the Group assesses the default risk of the modified assets on the reporting date and compares the default risk with the original contract terms under initial confirmation, also recalculates the book value of financial assets and includes the relevant gain or loss in the current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the re-negotiated or modified contractual cash flows, discounted at the original effective interest rate.

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	Group	
	30 June 2020	31 December 2019
Balances with the central bank	83,978,642	51,556,882
Due from banks and other financial institutions	6,014,642	3,731,686
Loans and advances to customers	274,200,876	258,496,366
Derivative financial instruments	10,601	28,521
Financial investments		
– Financial assets at fair value through profit or loss	64,126,103	59,327,969
– Financial assets at fair value through other comprehensive income	28,535,824	26,638,045
– Financial assets at amortised cost	139,903,160	145,508,966
Financial lease receivables	24,867,552	23,124,389
Others	2,385,231	880,717
Subtotal	624,022,631	569,293,541
Credit commitments	50,213,481	42,885,721
Total maximum credit risk exposure	674,236,112	612,179,262

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly arise from loans and advances to customers, financial lease receivables and investments in debt securities. Details of the composition of the Group's investments in debt securities are set out in note 43(a)(vi) to the interim financial information. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	Group	
	30 June 2020	31 December 2019
Corporate loans and advances		
Agriculture, forestry, animal husbandry and fishing	1,559,884	1,740,981
Mining	86,735	99,890
Manufacturing	7,844,678	7,789,212
Production and supply of electricity, gas and water	3,468,326	2,292,813
Construction	8,533,925	7,734,028
Wholesale and retail sales	35,030,705	34,834,845
Transportation, storage and postal services	3,450,503	3,958,554
Lodging and catering	3,666,578	3,675,118
Information transmission, computer services and software	385,584	398,395
Finance	704,200	820,700
Real estate	35,983,000	29,665,983
Leasing and commercial services	45,049,491	35,644,303
Scientific research, technological services and geological prospecting	175,559	187,936
Water, environment and public utility management and investment industry	9,926,647	10,061,229
Resident services and other services	139,900	147,951
Education	244,979	277,227
Health, social security and social welfare	709,772	941,167
Culture, sports and entertainment	314,113	308,000
Public administration and social organisations	–	–
Subtotal	157,274,579	140,578,332
Discounted bills	3,338,869	3,941,883
Personal loans		
Personal business	37,137,870	38,300,001
Mortgages	15,849,941	16,665,280
Personal consumption	49,402,098	51,430,941
Loans to farmers	16,672,291	12,687,674
Subtotal	119,062,200	119,083,896
Total	279,675,648	263,604,111

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iii) Risk concentrations (Continued)

By geographical distribution

The composition of the Group's gross loans and advances to customers by region:

	30 June 2020	31 December 2019
Heilongjiang region	115,799,213	106,676,648
Northeastern China excluding Heilongjiang	44,290,040	41,994,814
Northern China	44,798,697	42,702,850
Southwestern China	56,444,970	52,226,748
Other regions	18,342,728	20,003,051
Total	279,675,648	263,604,111

By type of guarantees

The composition of the Group's gross loans and advances to customers by type of guarantees:

	30 June 2020	31 December 2019
Unsecured loans	48,083,958	45,981,746
Guaranteed loans	76,577,315	67,935,353
Loans secured by mortgages	132,568,468	128,209,922
Pledged loans	22,445,907	21,477,090
Total	279,675,648	263,604,111

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Loans and advances to customers

The total credit risk exposure of loans and advances to customers is summarised as follows:

	30 June 2020	31 December 2019
Corporate loans and advances		
– Neither past due nor impaired	148,653,299	136,289,563
– Past due but not impaired	7,903,225	5,571,184
– Impaired	4,056,924	2,659,468
Subtotal	160,613,448	144,520,215
Personal loans		
– Neither past due nor impaired	111,773,678	113,509,033
– Past due but not impaired	4,656,030	2,982,788
– Impaired	2,632,492	2,592,075
Subtotal	119,062,200	119,083,896
Total	279,675,648	263,604,111

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Loans and advances to customers (Continued)

Neither past due nor impaired

The loans and advances to customers of the Group that are neither past due nor impaired are classified as "Pass" or "Special mention" under the five-tier loan classification system maintained by the Group. The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

	As at 30 June 2020		
	Pass	Special Mention	Total
Corporate loans and advances	144,583,708	4,069,591	148,653,299
Personal loans	111,353,655	420,023	111,773,678
Total	255,937,363	4,489,614	260,426,977

	As at 31 December 2019		
	Pass	Special Mention	Total
Corporate loans and advances	132,459,971	3,829,592	136,289,563
Personal loans	113,310,539	198,494	113,509,033
Total	245,770,510	4,028,086	249,798,596

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Loans and advances to customers (Continued)

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

	As at 30 June 2020			
Overdue days	Within 1 month	1 to 3 months	Over 3 months	Total
Corporate loans and advances	4,824,747	3,078,478	–	7,903,225
Personal loans	1,912,274	2,743,756	–	4,656,030
Total	6,737,021	5,822,234	–	12,559,255

	As at 31 December 2019			
Overdue days	Within 1 month	1 to 3 months	Over 3 months	Total
Corporate loans and advances	3,158,692	2,412,492	–	5,571,184
Personal loans	1,405,668	1,577,120	–	2,982,788
Total	4,564,360	3,989,612	–	8,553,972

As at 30 June 2020, the fair values of collateral that the Group holds relating to corporate loans which are past due but not impaired amounted to RMB11,226 million (31 December 2019: RMB7,767 million), and the fair values of collateral that the Group holds relating to personal loans which are past due but not impaired amounted to RMB5,415 million (31 December 2019: RMB3,203 million)

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Loans and advances to customers (Continued)

Impaired

Impaired loans and advances are defined as loans and advances which have objective evidence of impairment as a result of one or more events that occurred after initial recognition and those events have an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

	30 June 2020	31 December 2019
Corporate loans and advances	4,056,924	2,659,468
Personal loans	2,632,492	2,592,075
Total	6,689,416	5,251,543

As at 30 June 2020, the fair values of collateral that the Group holds relating to loans individually determined to be impaired amounted to RMB5,207 million (31 December 2019: RMB3,318 million). The collateral mainly consists of land, buildings, equipment and others.

Loans and advances to customers analysed by the five-tier loan classification and the three stages:

	30 June 2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Pass	261,052,668	261,809	–	261,314,477
Special mention	–	11,671,755	–	11,671,755
Substandard	–	–	3,415,760	3,415,760
Doubtful	–	–	2,661,710	2,661,710
Loss	–	–	611,946	611,946
Total	261,052,668	11,933,564	6,689,416	279,675,648

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Loans and advances to customers (Continued)

Impaired *(Continued)*

	31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Pass	249,236,725	211,881	–	249,448,606
Special mention	–	8,903,962	–	8,903,962
Substandard	–	–	2,766,953	2,766,953
Doubtful	–	–	1,750,771	1,750,771
Loss	–	–	733,819	733,819
Total	249,236,725	9,115,843	5,251,543	263,604,111

Loans and advances rescheduled

Loans and advances rescheduled represent the loans and advances whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans and advances according to contractual terms. Forms of loans and advances rescheduled include deferral of payments, borrowings for repayment, deduction of interest or part of the principal, modification of the repayment method, improvement of collateral, changing the type of guarantee, etc. As at 30 June 2020, the gross value of the loans and advances rescheduled held by the Group amounted to RMB7,544 million (31 December 2019: RMB6,693 million).

(v) Financial lease receivables

	Group	
	30 June 2020	31 December 2019
Financial lease receivables, net		
Neither past due nor impaired	24,547,618	23,204,373
Past due but not impaired	475,059	–
Impaired	473,970	628,601
Subtotal	25,496,647	23,832,974
Accrued interest	264,365	253,744
Less: Allowance for impairment losses	(893,460)	(962,329)
Net amount	24,867,552	23,124,389

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(vi) Debt securities

The following tables present an analysis of the carrying values of debt securities by credit or issuer rating and credit risk characteristics:

Financial assets at amortised cost

	As at 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	12,676,759	–	–	12,676,759
AA- to AA+	7,175,674	–	30,418	7,206,092
A+ or below	–	–	60,000	60,000
Unrated	111,219,545	4,370,097	7,131,571	122,721,213
Total	131,071,978	4,370,097	7,221,989	142,664,064
Allowance for impairment losses	(680,107)	(411,306)	(3,487,323)	(4,578,736)
Net balance	130,391,871	3,958,791	3,734,666	138,085,328

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
AAA	12,964,358	–	–	12,964,358
AA- to AA+	5,545,505	–	500,000	6,045,505
A+ or below	–	–	60,000	60,000
Unrated	120,278,058	2,747,367	5,927,834	128,953,259
Total	138,787,921	2,747,367	6,487,834	148,023,122
Allowance for impairment losses	(660,360)	(261,546)	(3,073,409)	(3,995,315)
Net balance	138,127,561	2,485,821	3,414,425	144,027,807

43. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(vi) ***Debt securities*** *(Continued)*

The following tables present an analysis of the carrying value of debt securities by credit or issuer rating and credit risk characteristics: (Continued)

Financial assets at fair value through other comprehensive income

	As at 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	5,408,493	–	–	5,408,493
AA- to AA+	6,014,243	–	–	6,014,243
A+ and below	–	–	68,557	68,557
Unrated	16,622,665	–	–	16,622,665
Total	28,045,401	–	68,557	28,113,958

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
AAA	6,594,070	–	–	6,594,070
AA- to AA+	5,689,246	–	–	5,689,246
A+ or below	–	–	68,557	68,557
Unrated	13,814,181	–	–	13,814,181
Total	26,097,497	–	68,557	26,166,054

43. Financial instrument risk management *(Continued)*

(b) Liquidity risk

(i) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

30 June 2020	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	36,172,384	–	–	–	–	–	48,614,504	84,786,888
Due from banks and other financial institutions	4,510,243	789,318	89,093	552,210	124,917	382	–	6,066,163
Loans and advances to customers	–	20,604,279	17,867,648	88,523,624	100,834,209	107,546,867	14,858,112	350,234,739
Financial investments	13,839,417	6,896,577	4,920,910	51,219,329	134,612,394	48,796,109	8,074,222	268,358,958
Financial lease receivables	–	1,017,216	1,930,504	7,900,639	16,042,621	359,182	526,294	27,776,456
Other financial assets	354,186	417,357	77,996	1,145,873	82,244	3,971	–	2,081,627
Total financial assets	54,876,230	29,724,747	24,886,151	149,341,675	251,696,385	156,706,511	72,073,132	739,304,831

43. Financial instrument risk management *(Continued)*

(b) Liquidity risk *(Continued)*

(i) Maturity analysis of contractual undiscounted cash flows (Continued)

Group

30 June 2020	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows (Continued)								
Financial liabilities:								
Due to the central bank	–	10,818	1,851,104	2,541,835	2,703	–	–	4,406,460
Borrowings from banks and other financial institutions	–	1,120,394	2,795,116	5,124,292	–	–	–	9,039,802
Due to banks*	13,615	444,218	8,748,013	11,027,172	–	–	–	20,233,018
Due to customers	174,075,906	21,751,602	57,796,027	159,709,189	99,423,504	6,520	–	512,762,748
Debt securities issued	–	1,040,000	7,870,000	26,252,300	2,327,500	8,320,000	–	45,809,800
Other financial liabilities	1,852,228	693,687	89,055	1,119,862	1,722,179	83,503	–	5,560,514
Total financial liabilities	175,941,749	25,060,719	79,149,315	205,774,650	103,475,886	8,410,023	–	597,812,342
Net position	(121,065,519)	4,664,028	(54,263,164)	(56,432,975)	148,220,499	148,296,488	72,073,132	141,492,489
Derivative cash flows								
Derivative financial instruments settled on a gross basis								
Total inflow	–	264,640	401,640	1,196,361	–	–	–	1,862,641
Total outflow	–	264,640	400,000	1,196,361	–	–	–	1,861,001
Credit commitments	20,210,272	606,796	3,378,966	22,892,918	1,504,913	1,694,593	–	50,288,458

* Includes repurchase agreements

43. Financial instrument risk management *(Continued)*

(b) Liquidity risk *(Continued)*

(i) Maturity analysis of contractual undiscounted cash flows (Continued)

Group

31 December 2019	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	14,101,039	–	–	–	–	–	38,181,280	52,282,319
Due from banks and other financial institutions	1,809,522	458,447	557,232	679,216	262,686	382	–	3,767,485
Loans and advances to customers	–	23,201,272	19,310,525	79,764,568	92,458,509	107,332,438	10,239,377	332,306,689
Financial investments	7,749,767	1,345,185	6,858,893	51,122,422	146,384,699	47,408,589	4,324,014	265,193,569
Financial lease receivables	–	1,025,423	1,866,814	7,414,220	14,384,888	901,687	124,510	25,717,542
Other financial assets	35,266	366,855	49,476	139,686	56,431	9,560	–	657,274
Total financial assets	23,695,594	26,397,182	28,642,940	139,120,112	253,547,213	155,652,656	52,869,181	679,924,878

43. Financial instrument risk management *(Continued)*

(b) Liquidity risk *(Continued)*

(i) Maturity analysis of contractual undiscounted cash flows (Continued)

Group

31 December 2019	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows (Continued)								
Financial liabilities:								
Due to the central bank	–	40,654	123,963	3,503,094	–	–	–	3,667,711
Borrowings from banks and other financial institutions	–	2,927,015	6,155,577	4,134,304	–	–	–	13,216,896
Due to banks*	42,842	12,788,763	10,417,625	7,953,724	–	–	–	31,202,954
Due to customers	154,254,544	24,509,168	42,281,135	134,092,954	88,225,095	777,919	–	444,140,815
Debt securities issued	–	1,520,000	27,100,000	7,851,700	3,429,800	8,640,000	–	48,541,500
Other financial liabilities	1,382,916	72,714	436,305	1,894,956	601,475	97,341	–	4,485,707
Total financial liabilities	155,680,302	41,858,314	86,514,605	159,430,732	92,256,370	9,515,260	–	545,255,583
Net position	(131,984,708)	(15,461,132)	(57,871,665)	(20,310,620)	161,290,843	146,137,396	52,869,181	134,669,295
Derivative cash flows								
Derivative financial instruments settled on a gross basis								
Total inflow	–	133,721	–	1,265,190	–	–	–	1,398,911
Total outflow	–	133,721	–	1,263,550	–	–	–	1,397,271
Credit commitments	19,056,773	1,117,457	3,086,191	18,115,018	1,510,282	–	–	42,885,721

* Includes repurchase agreements

43. Financial instrument risk management *(Continued)*

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on-and off-balance-sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk comprises interest rate risk and currency risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance-sheet foreign exchange positions arising from derivative transactions.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risks, including trading book and banking book risks.

(i) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in USD, HKD, Russian ruble ("RUB") and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations and foreign exchange dealings.

The exchange rate of RMB to USD is managed under a floating exchange rate system.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposures on its monetary assets and liabilities and its forecasted cash flows. The analysis shows the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the period end are kept unchanged and, therefore, has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

The Group sets trading limits, stop-loss limits and exposure limits to foreign exchange transactions to manage foreign exchange risk and to keep currency risk within limits. Based on the guidelines provided by the Risk Management Committee, laws and regulations as well as evaluation of the current market, the Group sets its risk limits and minimises the possibility of mismatch through more reasonable allocation of foreign currency sources and deployment.

43. Financial instrument risk management *(Continued)*

(c) Market risk *(Continued)*

(i) ***Currency risk*** *(Continued)*

Group

		Effect on profit before tax	
Currency	Change in rate	30 June 2020	31 December 2019
USD	-1%	(15,639)	(11,449)
HKD	-1%	(2,520)	192
RUB	-1%	(385)	(208)

While the table above indicates the effect of 1% depreciation of USD, HKD and RUB on profit before tax, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

43. Financial instrument risk management *(Continued)*

(c) Market risk *(Continued)*

(i) Currency risk (Continued)

A breakdown of the financial assets and financial liabilities analysed by currency is as follows:

Group

30 June 2020	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the central bank	84,743,377	25,248	879	15,793	1,591	84,786,888
Due from banks and other financial institutions	4,498,041	1,100,880	289,378	29,915	96,428	6,014,642
Loans and advances to customers	274,141,632	59,200	–	–	44	274,200,876
Derivative financial assets	9,028	–	–	–	1,573	10,601
Financial investments	232,033,643	531,444	–	–	–	232,565,087
Financial lease receivables	24,867,552	–	–	–	–	24,867,552
Other financial assets	2,385,231	–	–	–	–	2,385,231
Total financial assets	622,678,504	1,716,772	290,257	45,708	99,636	624,830,877
Financial liabilities:						
Due to the central bank	4,339,109	–	–	–	–	4,339,109
Borrowings from banks and other financial institutions	8,672,249	–	–	–	–	8,672,249
Due to banks	17,283,192	3,059	–	4,522	–	17,290,773
Derivative financial liabilities	7,388	–	–	–	1,573	8,961
Repurchase agreements	2,661,445	–	–	–	–	2,661,445
Due to customers	502,630,425	160,537	1,035	2,640	72,166	502,866,803
Debt securities issued	43,362,266	–	–	–	–	43,362,266
Other financial liabilities	5,494,442	164	37,219	–	–	5,531,825
Total financial liabilities	584,450,516	163,760	38,254	7,162	73,739	584,733,431
Net position	38,227,988	1,553,012	252,003	38,546	25,897	40,097,446
Credit commitments	49,838,036	433,067	–	–	17,355	50,288,458

43. Financial instrument risk management *(Continued)*

(c) Market risk *(Continued)*

(i) ***Currency risk*** *(Continued)*

A breakdown of the financial assets and financial liabilities analysed by currency is as follows: (Continued)

Group

31 December 2019	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the central bank	52,234,354	34,123	915	11,096	1,831	52,282,319
Due from banks and other financial institutions	2,557,872	1,065,468	17,439	19,244	71,663	3,731,686
Loans and advances to customers	258,276,148	220,165	–	–	53	258,496,366
Derivative financial assets	27,966	–	–	–	555	28,521
Financial investments	231,399,954	75,026	–	–	–	231,474,980
Financial lease receivables	23,124,389	–	–	–	–	23,124,389
Other financial assets	880,717	–	–	–	–	880,717
Total financial assets	568,501,400	1,394,782	18,354	30,340	74,102	570,018,978
Financial liabilities:						
Due to the central bank	3,603,534	–	–	–	–	3,603,534
Borrowings from banks and other institutions	13,053,570	–	–	–	–	13,053,570
Due to banks	12,554,621	3,118	–	6,533	–	12,564,272
Derivative financial liabilities	26,326	–	–	–	555	26,881
Repurchase agreements	18,361,742	–	–	–	–	18,361,742
Due to customers	431,059,463	246,751	1,059	3,056	51,336	431,361,665
Debt securities issued	45,962,823	–	–	–	–	45,962,823
Other financial liabilities	4,449,208	–	36,499	–	–	4,485,707
Total financial liabilities	529,071,287	249,869	37,558	9,589	51,891	529,420,194
Net position	39,430,113	1,144,913	(19,204)	20,751	22,211	40,598,784
Credit commitments	42,531,636	354,085	–	–	–	42,885,721

43. Financial instrument risk management *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk

The tables below summarise the contractual repricing or maturity dates, whichever are earlier, of the Group's financial assets and financial liabilities:

Group

30 June 2020	Less than three months	Three months to one year	One to five years	More than five years	Overdue/ Non-interest-bearing	Total
Financial assets:						
Cash and balances with the central bank	83,957,997	–	–	–	828,891	84,786,888
Due from banks and other financial institutions	5,348,997	533,948	114,983	382	16,332	6,014,642
Loans and advances to customers	75,036,556	101,023,251	56,773,505	24,527,367	16,840,197	274,200,876
Derivative financial assets	542	10,059	–	–	–	10,601
Financial investments	7,463,887	32,459,497	87,288,985	40,243,065	65,109,653	232,565,087
Financial lease receivables	21,772,455	704,702	1,638,275	1,383	750,737	24,867,552
Other financial assets	–	–	–	–	2,385,231	2,385,231
Total financial assets	193,580,434	134,731,457	145,815,748	64,772,197	85,931,041	624,830,877
Financial liabilities:						
Due to the central bank	1,787,930	2,499,540	2,700	–	48,939	4,339,109
Borrowings from banks and other financial institutions	3,609,500	4,987,100	–	–	75,649	8,672,249
Due to banks	8,635,705	8,453,930	–	–	201,138	17,290,773
Derivative financial liabilities	542	8,419	–	–	–	8,961
Repurchase agreements	299,200	2,329,565	–	–	32,680	2,661,445
Due to customers	247,874,633	152,091,085	94,545,827	6,519	8,348,739	502,866,803
Debt securities issued	8,862,366	25,468,025	1,000,000	8,000,000	31,875	43,362,266
Other financial liabilities	–	214,354	283,724	–	5,033,747	5,531,825
Total financial liabilities	271,069,876	196,052,018	95,832,251	8,006,519	13,772,767	584,733,431
Total interest sensitivity gap	(77,489,442)	(61,320,561)	49,983,497	56,765,678	N/A	N/A

43. Financial instrument risk management *(Continued)*

(c) Market risk *(Continued)*

(ii) Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity dates, whichever are earlier, of the Group's financial assets and financial liabilities: (Continued)

Group

31 December 2019	Less than three months	Three months to one year	One to five years	More than five years	Overdue/ Non-interest-bearing	Total
Financial assets:						
Cash and balances with the central bank	51,540,327	–	–	–	741,992	52,282,319
Due from banks and other financial institutions	2,793,081	661,438	261,638	382	15,147	3,731,686
Loans and advances to customers	128,567,877	53,687,227	46,207,937	18,503,842	11,529,483	258,496,366
Derivative financial assets	–	–	–	–	28,521	28,521
Financial investments	4,790,712	42,517,716	89,623,242	40,528,805	54,014,505	231,474,980
Financial lease receivables	20,146,466	735,280	1,863,832	557	378,254	23,124,389
Other financial assets	–	–	–	–	880,717	880,717
Total financial assets	207,838,463	97,601,661	137,956,649	59,033,586	67,588,619	570,018,978
Financial liabilities:						
Due to the central bank	136,680	3,428,330	–	–	38,524	3,603,534
Borrowings from banks and other financial institutions	8,758,770	4,019,694	–	–	275,106	13,053,570
Due to banks	6,046,242	6,378,398	–	–	139,632	12,564,272
Derivative financial liabilities	–	–	–	–	26,881	26,881
Repurchase agreements	16,954,591	1,368,600	–	–	38,551	18,361,742
Due to customers	215,190,913	127,770,807	80,459,552	774,626	7,165,767	431,361,665
Debt securities issued	28,436,451	7,154,907	1,997,115	8,000,000	374,350	45,962,823
Other financial liabilities	–	–	–	–	4,485,707	4,485,707
Total financial liabilities	275,523,647	150,120,736	82,456,667	8,774,626	12,544,518	529,420,194
Total interest sensitivity gap	(67,685,184)	(52,519,075)	55,499,982	50,258,960	N/A	N/A

43. Financial instrument risk management *(Continued)*

(d) Capital management

The Group's objectives for capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- to maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem its own shares, long-term subordinated bonds, etc.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the former CBRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has fully complied with all its externally imposed capital requirements. The requirements pursuant to these regulations may have significant differences compared to those applicable in Hong Kong and other countries.

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the "Capital Rules for Commercial Banks (Provisional)" and will continue to enhance the content of this disclosure. According to the requirements of the CBIRC, commercial banks should fulfil the regulatory requirements of the capital adequacy ratios by the end of 2018. The regulatory requirements request a commercial bank to maintain its core tier 1 capital adequacy ratio above 7.5%, the tier 1 capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

43. Financial instrument risk management *(Continued)*

(d) Capital management *(Continued)*

	Group	
	30 June 2020	31 December 2019
Core capital		
Qualified part of share capital	10,995,600	10,995,600
Qualified part of capital reserve	7,663,342	7,663,342
Surplus reserve and general reserve	11,333,007	11,303,245
Undistributed profits	20,273,071	19,544,558
Qualified part of non-controlling interests	761,521	700,603
Other comprehensive income	222,691	319,926
Core tier 1 capital deductible items:		
Fully deductible items	(282,330)	(306,709)
Net core tier 1 capital	50,966,902	50,220,565
Net other tier 1 capital	101,498	93,344
Net tier 1 capital	51,068,400	50,313,909
Net tier 2 capital	11,078,072	11,277,333
Net capital	62,146,472	61,591,242
Total risk-weighted assets	505,385,098	491,476,578
Core tier 1 capital adequacy ratio	10.08%	10.22%
Tier 1 capital adequacy ratio	10.10%	10.24%
Capital adequacy ratio	12.30%	12.53%

44. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for the determination and disclosure of the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

44. Fair value of financial instruments *(Continued)*

Determination of fair value and fair value hierarchy *(Continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

Group

30 June 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Debt securities	–	3,369,501	–	3,369,501
– Funds	–	13,839,417	–	13,839,417
– Trust investments and asset management plans	–	46,776,917	–	46,776,917
– Equity instruments	–	277,626	–	277,626
Subtotal	–	64,263,461	–	64,263,461
Financial assets at fair value through other comprehensive income				
– Debt securities	–	28,113,958	–	28,113,958
– Equity instruments	–	187,802	–	187,802
Subtotal	–	28,301,760	–	28,301,760
Derivative financial assets	–	10,601	–	10,601
Loans and advances measured at fair value through other comprehensive income	–	3,338,869	–	3,338,869
Total	–	95,914,691	–	95,914,691
Financial liabilities measured at fair value				
Derivative financial liabilities	–	8,961	–	8,961
Financial assets disclosed at fair value				
Financial assets at amortised cost				
Debt securities	–	44,467,940	–	44,467,940
Trust investments and asset management plans	–	94,164,171	–	94,164,171
Certificate treasury bonds	–	102,992	–	102,992
Total	–	138,735,103	–	138,735,103
Financial liabilities disclosed at fair value				
Financial bonds	–	2,031,867	–	2,031,867
Tier 2 capital bonds	–	7,990,640	–	7,990,640
Negotiable certificates of deposit	–	33,085,475	–	33,085,475
Total	–	43,107,982	–	43,107,982

44. Fair value of financial instruments *(Continued)*

Determination of fair value and fair value hierarchy *(Continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value: (Continued)

Group

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Debt securities	–	4,510,274	–	4,510,274
– Funds	–	7,749,767	–	7,749,767
– Trust investments and asset management plans	–	46,879,785	–	46,879,785
– Equity instruments	–	278,997	–	278,997
Subtotal	–	59,418,823	–	59,418,823
Financial assets at fair value through other comprehensive income				
– Debt securities	–	26,166,054	–	26,166,054
– Equity instruments	–	89,251	–	89,251
Subtotal	–	26,255,305	–	26,255,305
Derivative financial assets	–	28,521	–	28,521
Loans and advances measured at fair value through other comprehensive income	–	3,941,883	–	3,941,883
Total	–	89,644,532	–	89,644,532
Financial liabilities measured at fair value				
Derivative financial liabilities	–	26,881	–	26,881
Financial assets disclosed at fair value				
Financial assets at amortised cost				
Debt securities	–	36,040,740	–	36,040,740
Trust investments and asset management plans	–	108,089,354	–	108,089,354
Certificate treasury bonds	–	105,655	–	105,655
Total	–	144,235,749	–	144,235,749
Financial liabilities disclosed at fair value				
Financial bonds	–	6,033,420	–	6,033,420
Tier 2 capital bonds	–	7,920,000	–	7,920,000
Negotiable certificates of deposit	–	30,917,170	–	30,917,170
Total	–	44,870,590	–	44,870,590

44. Fair value of financial instruments *(Continued)*

Determination of fair value and fair value hierarchy *(Continued)*

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and derivative financial instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or pricing models. For debt securities, the fair values of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) A portion of the debt instruments classified as financial assets at amortised cost are not quoted in an active market. In the absence of any other relevant observable market, the fair values of these debt instruments classified as financial assets at amortised cost are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of Tier 2 capital bonds, financial bonds, negotiable certificates of deposit and a portion of financial assets at amortised cost are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

The financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, short term in nature or repriced at current market rates frequently, are as follows:

Assets	**Liabilities**
Balances with the central bank	Due to the central bank
Due from banks and other financial institutions	Borrowings from banks and other financial institutions
Reverse repurchase agreements	Due to banks
Loans and advances measured at amortised cost	Repurchase agreements
Financial lease receivables	Due to customers
Other financial assets	Other financial liabilities

45. Subsequent events

As of the approval date of the financial statements, there were no significant events that need to be disclosed by the Group after the reporting period.

46. Approval of the condensed consolidated interim financial information

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2020.

Appendix I – Unaudited Supplementary Financial Information

(Amount in thousands of RMB, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

(a) Liquidity ratio

	30 June 2020	31 December 2019
RMB current assets to RMB current liabilities	66.23%	42.82%
Foreign currency current assets to foreign currency current liabilities	643.66%	129.01%

These liquidity ratios are calculated based on the relevant regulations imposed by the CBIRC and Chinese accounting standards ("CAS").

(b) Currency concentrations

	USD	HKD	RUB	Others	Total
30 June 2020					
Spot assets	1,716,772	290,257	45,708	99,636	2,152,373
Spot liabilities	(163,760)	(38,254)	(7,162)	(73,739)	(282,915)
Option contracts	–	–	–	525,866	525,866
Net long/(short) position	1,553,012	252,003	38,546	551,763	2,395,324
31 December 2019					
Spot assets	1,394,782	18,354	30,340	74,102	1,517,578
Spot liabilities	(249,869)	(37,558)	(9,589)	(51,891)	(348,907)
Option contracts	–	–	–	105,493	105,493
Net long/(short) position	1,144,913	(19,204)	20,751	127,704	1,274,164

(c) International claims

The Group discloses international claims according to Banking (Disclosure) Rules (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with the central bank", "Due from banks and other financial institutions", "Loans and advances to customers" and "Financial investments".

International claims have been disclosed by major countries or geographical areas. A country or geographical area constitutes 10% or more of the aggregate amount of international claims should be reported, after taking into account any risk transfers.

	Banks	Others	Total
30 June 2020			
Asia Pacific excluding Mainland China	380,101	–	380,101
– of which attributed to Hong Kong	321,344	–	321,344
Europe	315,080	–	315,080
North America	990,539	–	990,539
Total	1,685,720	–	1,685,720
31 December 2019			
Asia Pacific excluding Mainland China	81,743	–	81,743
– of which attributed to Hong Kong	26,468	–	26,468
Europe	473,643	–	473,643
North America	159,920	–	159,920
Total	715,306	–	715,306

(d) Loans and advances to customers

(i) Overdue loans and advances to customers

	30 June 2020				
Overdue days	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,269,989	407,092	317,760	3,891	1,998,732
Guaranteed loans	4,229,911	1,579,849	1,126,443	8,935	6,945,138
Loans secured by mortgages	7,012,364	1,609,261	1,525,080	24,836	10,171,541
Pledged loans	51,277	45,768	34,751	–	131,796
Total	12,563,541	3,641,970	3,004,034	37,662	19,247,207

	31 December 2019				
Overdue days	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	838,203	560,724	111,200	2,744	1,512,871
Guaranteed loans	2,755,462	1,325,906	691,544	16,944	4,789,856
Loans secured by mortgages	4,934,939	1,368,470	940,313	14,995	7,258,717
Pledged loans	46,042	37,419	95,793	–	179,254
Total	8,574,646	3,292,519	1,838,850	34,683	13,740,698

(ii) Overdue loans and advances to customers by geographical distribution

	30 June 2020	31 December 2019
Heilongjiang region	6,453,052	5,500,668
Northeastern China excluding Heilongjiang	5,213,564	2,045,445
Northern China	4,205,111	2,958,444
Southwestern China	2,373,433	2,491,299
Other regions	1,002,047	744,842
	19,247,207	13,740,698

(e) Overdue accounts from banks and other financial institutions

As at 30 June 2020, there were no overdue accounts from banks and other financial institutions in respect of principal or interest (31 December 2019: Nil).

(f) Overdue placements with banks and other financial institutions

As at 30 June 2020, there were no overdue placements with banks and other financial institutions in respect of principal or interest (31 December 2019: Nil).

(g) Exposures to Mainland China non-bank entities

	30 June 2020	31 December 2019
On-balance sheet exposure	299,943,281	282,068,594
Off-balance sheet exposure	50,213,481	42,885,721

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

Documents for Inspection

I. Financial Statements with Signature and Seal of Legal Representative, Person in Charge of Accounting Work and Person in Charge of Accounting Firms

II. Original Audit Report with Accounting Firms' Seals and Certified Public Accountants' Signatures and Seals

III. Text of Interim Report Autographed by Directors of the Company

IV. Articles of Association of the Company

By order of the Board of Directors
Harbin Bank Co., Ltd.
Guo Zhiwen
Chairman

Harbin, the PRC, 28 August 2020

As at the date of this announcement, the Board of the Bank comprises Guo Zhiwen, Lyu Tianjun and Sun Feixia as executive directors; Ma Yongqiang, Sun Yan, Zhang Zheng and Hou Bojian as independent non-executive directors.

* *Harbin Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.*