哈尔滨银行
HarbinBank

HARBIN BANK CO., LTD.

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

Stock Code: 6138

2019 INTERIM REPORT

Contents

The Company holds the finance permit no. B0306H223010001 approved by the China Banking and Insurance Regulatory Commission and has obtained the business licence (Unified Social Credit Code: 912301001275921118) approved by 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.
"Hong Kong"	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 2019
"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

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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

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 licence 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 2019, the Group had 366 business outlets with branches and sub-branches across seven administrative regions in China.

As at 30 June 2019, the Bank had total assets of RMB623,434.7 million, total loans and advances to customers of RMB260,836.8 million and total customer deposits of RMB414,642.6 million.

In the first half of 2019, the Bank was ranked 217th in the "Banking 500 (全球銀行品牌價值500強)" in 2019 published by Brand Finance, a United Kingdom-based brand consultancy company, 1117th in the Forbes Global 2000, 34th in the "2018 China Banking Top 100 List (2018年中國銀行業100強榜單)" published by China Banking Association, and 13th among the city commercial banks with asset size of more than RMB200 billion in 2018 for the ranking of the GYROSCOPE evaluation system of the China Banking Association.

During the Reporting Period, the Bank won the "Best Compliance Performance (Asia-Pacific region) (最佳合規表現（亞太地區)" from MasterCard International, the "Top 100 Settlor – Excellent Proprietary Institution Award (結算100強－優秀自營機構獎)" from China Central Depository & Clearing Co., Ltd., the "Top Ten Private Enterprises Financial Service Innovation Award under 2019 China's Financial Innovation Award (2019中國金融創新獎：十佳民營企業金融服務創新獎)" organised by The Chinese Banker, the "Tianji Award: 2019 Mobile Phone Bank (天璣獎：2019年度手機銀行)" of Securities Times, the "2018 Banking E-Finance Innovation Award: Best Mobile Bank Award (2018年銀行業網絡金融創新獎：最佳移動銀行獎)" and many other business awards. In addition, the "Harbin International Marathon" titled-sponsored by the Bank was continuously rated as a "Gold-level Competition" of the China Athletics Association.

Major Subsidiaries

The details of major subsidiaries of the Company as at 30 June 2019 are as follows:

Company name	Place of incorporation/ registration and operation 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

Company name	Place of incorporation/ registration and operation 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
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
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[1]	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

Note:

(1) The change of business registration for the relevant capital increase of HBCF has not been completed.

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 and is denominated in RMB.

	For the six months ended 30 June			For the year ended 31 December
	2019	2018	2019 vs. 2018	2018
				(In RMB million, except percentages)
Results of operations			**Rate of change**	
Net interest income	5,175.8	4,971.1	4.12%	10,127.0
Net fee and commission income	1,462.2	1,131.5	29.23%	2,391.4
Operating income	7,424.6	6,537.8	13.56%	14,325.4
Operating expenses	(1,953.7)	(1,920.7)	1.72%	(4,594.3)
Impairment losses	(2,661.1)	(1,129.9)	135.52%	(2,425.9)
Profit before tax	2,809.8	3,487.2	-19.43%	7,305.2
Net profit	2,208.9	2,608.0	-15.30%	5,574.4
Net profit attributable to owners of the parent	2,175.7	2,605.8	-16.51%	5,548.6
For each share (RMB)			**Rate of change**	
Net assets per share attributable to owners of the parent	4.39	3.89	12.85%	4.21
Earnings per share	0.20	0.24	-16.67%	0.50
Profitability indicators			**Change**	
Return on average total assets(1)	0.71%	0.92%	Decreased by 0.21 percentage point	0.94%
Return on average equity(2)	9.20%	12.40%	Decreased by 3.20 percentage points	12.68%
Net interest spread(3)	1.55%	1.66%	Decreased by 0.11 percentage point	1.67%
Net interest margin(4)	1.75%	1.88%	Decreased by 0.13 percentage point	1.87%
Net fee and commission income to operating income ratio	19.69%	17.31%	Increased by 2.38 percentage points	16.69%
Cost-to-income ratio(5)	25.01%	28.12%	Decreased by 3.11 percentage points	30.88%

Summary of Accounting Data and Financial Indicators

	As of 30 June	As of 31 December	
	2019	2018	The first half of 2019 vs. 2018
			(In RMB million, except percentages)
Capital adequacy indicators[6]			**Change**
Core tier 1 capital adequacy ratio	9.89%	9.74%	Increased by 0.15 percentage point
Tier 1 capital adequacy ratio	9.91%	9.75%	Increased by 0.16 percentage point
Capital adequacy ratio	12.29%	12.15%	Increased by 0.14 percentage point
Total equity to total assets	8.03%	7.71%	Increased by 0.32 percentage point
Assets quality indicators			**Change**
NPL ratio[7]	1.89%	1.73%	Increased by 0.16 percentage point
Allowance to NPL ratio[8]	165.25%	169.88%	Decreased by 4.63 percentage points
Loan loss reserve ratio[9]	3.13%	2.94%	Increased by 0.19 percentage point
Other indicator			**Change**
Loan-deposit ratio	62.91%	64.16%	Decreased by 1.25 percentage points
Scale indicators			**Rate of change**
Total assets	623,434.7	615,588.5	1.27%
Of which: total loans and advances to customers	260,836.8	253,762.7	2.79%
Total liabilities	573,343.3	568,097.0	0.92%
Of which: total due to customers	414,642.6	395,516.8	4.84%
Share capital	10,995.6	10,995.6	–
Equity attributable to owners of the parent	48,318.0	46,274.7	4.42%
Non-controlling interests	1,773.4	1,216.8	45.74%
Total equity	50,091.4	47,491.5	5.47%

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 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.

(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 by dividing operating expenses (less tax and surcharges) by operating income.

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

(7) Calculated by dividing total NPLs by total loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans by total NPLs.

(9) Calculated by dividing allowance for impairment losses on loans by total loans to customers.

Management Discussion and Analysis

I. Past Economy and Environment and Operation Overview

(I) Past Economy and Environment

Since 2019, the overall economic situation had remained severe in the face of a complicated environment of significantly increasing domestic and international risks and challenges such as the downward pressure on the economy and economic and trade frictions. However, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at the core, China's economy sustained the momentum of progress in overall stability. The major macroeconomic indicators remained within a reasonable range, and positive factors which facilitated high quality development increased. As at 30 June 2019, the gross domestic product (GDP) amounted to RMB45,093.3 billion, representing a year-on-year increase of 6.3%. The balance of M2 amounted to RMB192.14 trillion, representing a year-on-year increase of 8.5%; the balance of M1 amounted to RMB56.77 trillion, representing a year-on-year increase of 4.4%, and the balance of M0 amounted to RMB7.26 trillion, representing a year-on-year increase of 4.3%. The balance of RMB loans amounted to RMB145.97 trillion, and the balance of RMB deposits amounted to RMB192.79 trillion. New RMB loans made in the first half of the year amounted to RMB9.67 trillion, representing a year-on-year increase of RMB644 billion; and new RMB deposits amounted to RMB10.05 trillion, representing a year-on-year increase of RMB1.05 trillion. Increment of social financing scale in the first half of the year was RMB213.26 trillion, representing a year-on-year increase of 10.9%.

In the first half of 2019, the economic fundamentals of the Heilongjiang Province remained stable. The demand-pull economy sustained a positive development in overall stability. Steady progress was made in transformation and restructuring. New growth drivers continued to substitute for the old ones. The industrial development was generally stable. Disposable income of urban and rural residents grew steadily. The performance of the financial markets was stable. However, the positive economic performance did not rebound based on a sound foundation with lingering uncertainties. As of 30 June 2019, the regional gross domestic product (GDP) of Heilongjiang reached RMB646.1 billion, representing an increase of 4.3% over the same period of last year. Fixed-asset investment increased by 3.5%, representing an increase of 3.2 percentage points year on year. Total retail sales of consumer goods increased by 6.4%, and disposable income per capita of urban and rural residents increased by 5.9% and 6% respectively. The balance of deposits at financial institutions (in RMB and other currencies) grew by 11.7% year on year to RMB2,748.47 billion.

(II) Operation Overview

In the first half of 2019, in the face of complicated and uncertain economic and financial conditions and the increasingly stringent external regulatory requirements, the Bank, under the leadership of the Board and the supervision of the Board of Supervisors, earnestly implemented national economic and financial policies and strengthened its strategic positioning of microcredit. Centring on the work theme of "overall promotion" and adhering to the work standards of "strategic focus, problem orientation, pursuit of truth and practicability and elevating values", the Bank actively responded to the changing situation and completed all tasks in a satisfying manner by deepening reform, stabilising operation, strengthening implementation, enhancing capabilities, and firmly upholding the bottom line of business development and risk control. The Bank recorded steady improvement in operating results with much stable development quality.

Steady business scale development

As at 30 June 2019, the Group had total assets of RMB623,434.7 million, representing an increase of RMB7,846.2 million or 1.3% as compared to the end of last year. The Group's total loans and advances to customers amounted to RMB260,836.8 million, representing an increase of RMB7,074.1 million or 2.8% as compared to the end of last year. The Bank's deposits from customers amounted to RMB414,642.6 million, representing an increase of RMB19,125.8 million or 4.8% as compared to the end of last year.

Stable profitability

In the first half of 2019, the Group recorded a net profit of RMB2,208.9 million, representing a year-on-year decrease of RMB399.1 million or 15.30%, which was due to an increase in impairment losses on assets arising from the Bank's efforts to speed up the disposal of NPLs which led to an increase in the write-off amount of NPLs. The Bank recorded net profit attributable to owners of the parent of RMB2,175.7 million, representing a year-on-year decrease of RMB430.1 million or 16.51%. The rate of return on average total assets was 0.71%, representing a decrease as compared with 0.92% for the same period of 2018. The rate of return on average equity was 9.20%, representing a decrease as compared with 12.40% for the same period of 2018.

Slight increase in NPLs

As at 30 June 2019, the Group had NPLs of RMB4,934.6 million. The NPL ratio was 1.89%, representing an increase of 0.16 percentage point as compared to the end of last year. The ratio of loans past due for more than 90 days to NPLs was 99.41%. The loan loss reserve ratio was 3.13%, representing an increase of 0.19 percentage point as compared to the end of last year. The allowance to NPL ratio was 165.25%, representing a decrease of 4.63 percentage points as compared to the end of last year.

Generally stable development of subsidiaries

In the first half of 2019, HB Leasing, HBCF and 32 village and township banks controlled by the Company kept on stable and healthy development momentum. As at 30 June 2019, HB Leasing had total assets of RMB27,963.6 million, representing an increase of 19.64% as compared to the end of last year, and realised a net profit of RMB156.3 million for the first half of 2019. HBCF had total assets of RMB10,527.2 million and realised a net profit of RMB60.4 million for the first half of 2019. The 32 village and township banks controlled by the Company recorded net loss of RMB182.1 million for the first half of 2019, representing a year-on-year decrease of 363.91%, attributable to the increase in provision amid the more cautious asset risk classification of the village and township banks.

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 2019, net interest spread of the Bank was 1.55%, which decreased by 0.11 percentage point as compared to the same period of last year, and net interest margin was 1.75%, which decreased by 0.13 percentage point as compared to the same period of last year, mainly attributable to (1) the lower yield on investments in debt securities due to factors such as slowdown of economic growth and declining asset quality; (2) the increased market competition resulting in the increase in the average cost ratios of the Bank's due to customers; (3) the increase in the cost on liquidity interest payment through gradual improvement of its level of liquidity reserve and reduction of maturity mismatch in order to prevent liquidity risks. Looking forward to the second half of 2019, it is expected that the downward pressure faced by China's economy will continue, the competition will be intensified, the cost control of debt will be more difficult, and the net interest spread and net interest margin will be subject to relatively high downward pressure after complete deposit rate liberalisation. 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 liberalisation 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 2019, the NPL ratio of the Bank amounted to 1.89%, representing an increase of 0.16 percentage point as compared to the end of last year. The loan loss reserve ratio was 3.13%, which increased by 0.19 percentage point as compared to the end of last year. In the first half year, facing the more complex and volatile economic and financial situation and more stringent external regulatory requirements, the Bank continued to strengthen asset quality control. There was a slight increase in the NPL levels which were under control as a whole, an increase in the loan loss reserve ratio, and enhancement of risk offset. Meanwhile, the Bank strictly adhered to the classification principal of five-category loan classification. The ratio of loans past due for more than 90 days to NPLs was 99.41%, which was strictly controlled under 100%. The five-category loan classification was ensured to reflect the actual loan quality of the Bank.

The NPLs of the corporate loans of the Bank during the Reporting Period primarily concentrated in the wholesale and retail industry and the manufacturing industry, which amounted to RMB599.9 million and RMB564.4 million with NPL ratio of 1.74% and 6.71%, respectively. The Bank actively restructured the industry portfolio of its loans by intensifying its support to less cycle-sensitive livelihood, strategically emerging industries, modern services industry and other industries while reducing and even cutting off the percentage of loans for industries with over-capacity and backward manufacturing industries. Meanwhile, the Bank set up differentiated standards for access, risk quota and risk pricing according to the asset quality of the respective industry and proactively adjusted and optimised the asset structure of the Company.

As regards prevention of regional risk, the Bank continued to optimise the loan resources allocation in different regions. The Bank strengthened its management of industry quota, products quota, credit facilities to related 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 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, it placed its capital in business areas with lower capital occupancy and higher benefits in accordance with the Administration Measures for the Capital of Commercial Banks (for Trial Implementation). During the Reporting Period, the Bank met the minimum capital requirement, reserve capital requirement and countercyclical capital buffer for the transitional period as required by the CBIRC.

As at 30 June 2019, the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of the Bank were 9.89%, 9.91% and 12.29%, respectively, representing an increase of 0.15 percentage point, 0.16 percentage point and 0.14 percentage point, respectively, as compared to the end of last year, which were mainly due to the capital replenishment funded by its earnings and the slower growth of risk-weighted assets. As at the end of the Reporting Period, risk-weighted assets of the Bank amounted to RMB495,190.7 million, representing a slower increase of RMB16,030.8 million or 3.3% as compared to the end of last year. Looking forward to the second half of 2019, the Bank will continue to strengthen its capital management by: (1) continuing its differentiated competition strategies of characteristic development path to further enhance internal capital generation ability; (2) actively responding to changes in current situations by strengthening its active capital management, continuously optimising its business structure and raising awareness of intensive capital use; and (3) establishing multi-layered and multi-channel mechanisms for capital replenishment to ensure that the capital level satisfied the regulatory requirements on an ongoing basis.

4. Investment in debt instruments issued by financial institutions

As at 30 June 2019, total investment in debt financial instruments issued by financial institutions by the Bank amounted to RMB163,241.4 million, representing an increase of 3.3% as compared to the end of last year. Pursuant to the relevant 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. It accurately measured risks, and set aside capital and made provisions based on the principle of "substance over formality" and the nature of the underlying assets. Following loan provision requirements, it 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 2019, provision balance of investment in debt financial instruments issued by financial institutions of the Bank amounted to RMB3,496.7 million, representing an increase of RMB430.4 million as compared to the end of last year, and the coverage ratio was 2.14%, representing an increase of 0.20 percentage point as compared to the end of last year.

5. *Net stable funding ratio*

As at 30 June 2019, the net stable funding ratio of the Bank was 103.51%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB381,328 million and the required stable funding (upon translation) was RMB368,388 million.

As at 31 March 2019, the net stable funding ratio of the Bank was 103.92%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB382,117 million and the required stable funding (upon translation) was RMB367,690 million.

As at 31 December 2018, the net stable funding ratio of the Bank was 100.64%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB362,112 million and the required stable funding (upon translation) was RMB359,808 million.

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

Item	As at 30 June 2019	As at 31 March 2019	As at 31 December 2018
		(In RMB100 million, except percentages)	
Net stable funding ratio	103.51%	103.92%	100.64%
Available stable funding	3,813.28	3,821.17	3,621.12
Required stable funding	3,683.88	3,676.90	3,598.08

II. Analysis of Income Statement

	For the six months ended 30 June			
	2019	2018	Change in amount	Rate of change
	(In RMB million, except percentages)			
Interest income	14,613.6	13,695.6	918.0	6.7%
Interest expense	(9,437.8)	(8,724.5)	(713.3)	8.2%
Net interest income	5,175.8	4,971.1	204.7	4.1%
Fee and commission income	1,536.6	1,298.7	237.9	18.3%
Fee and commission expense	(74.4)	(167.2)	92.8	-55.5%
Net fee and commission income	1,462.2	1,131.5	330.7	29.2%
Net trading income or loss	515.9	408.0	107.9	26.4%
Net gain or loss on financial investments	224.2	20.9	203.3	972.7%
Other operating income or loss, net	46.5	6.3	40.2	638.1%
Operating income	7,424.6	6,537.8	886.8	13.6%
Operating expenses	(1,953.7)	(1,920.7)	(33.0)	1.7%
Impairment losses	(2,661.1)	(1,129.9)	(1,531.2)	135.5%
Operating profit	2,809.8	3,487.2	(677.4)	-19.4%
Profit before tax	2,809.8	3,487.2	(677.4)	-19.4%
Income tax expense	(600.9)	(879.2)	278.3	-31.7%
Net profit	2,208.9	2,608.0	(399.1)	-15.3%

In the first half of 2019, the Bank recorded profit before tax of RMB2,809.8 million and net profit of RMB2,208.9 million, representing a year-on-year decrease of 19.4% and 15.3%, respectively.

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

In the first half of 2019, the Bank recorded net interest income of RMB5,175.8 million, representing an increase of RMB204.7 million or 4.1% 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					
	2019			2018		
	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	255,502.5	8,146.2	6.43%	241,135.4	7,414.8	6.20%
Investments in debt securities[1]	220,825.0	4,767.1	4.35%	197,618.4	5,050.3	5.15%
Cash and balances with the Central Bank	52,979.8	366.3	1.39%	55,936.5	392.7	1.42%
Due from banks and other financial institutions[2]	42,445.7	543.6	2.58%	23,002.5	430.9	3.78%
Long-term receivables	25,632.2	790.4	6.22%	15,937.7	406.9	5.15%
Total interest-earning assets	597,385.2	14,613.6	4.93%	533,630.5	13,695.6	5.18%

	For the six months ended 30 June					
	2019			2018		
	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	408,398.6	6,312.4	3.12%	346,231.7	5,028.8	2.93%
Due to banks[3]	52,067.3	1,134.2	4.39%	48,662.4	1,201.6	4.98%
Debt securities issued and others	97,801.3	1,925.5	3.97%	104,641.5	2,484.4	4.79%
Due to Central Bank	4,124.2	65.7	3.21%	754.2	9.7	2.60%
Total interest-bearing liabilities	562,391.4	9,437.8	3.38%	500,289.8	8,724.5	3.52%
Net interest income		5,175.8			4,971.1	
Net interest spread[4]			1.55%			1.66%
Net interest margin[5]			1.75%			1.88%

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		
	2019 vs. 2018		
	Increase/(decrease)		Net increase/
	Volume[1]	Interest rate[2]	(decrease)[3]
			(In RMB million)
Interest-earning assets			
Loans and advances to customers	517.3	214.1	731.4
Investments in debt securities	1,339.2	(1,622.4)	(283.2)
Cash and balances with the Central Bank	(26.2)	(0.2)	(26.4)
Due from banks and other financial institutions	678.5	(565.8)	112.7
Long-term receivables	304.2	79.3	383.5
Change in interest income	2,813.0	(1,895.0)	918.0
Interest-bearing liabilities			
Due to customers	1,164.6	119.0	1,283.6
Due to banks	204.7	(272.1)	(67.4)
Debt securities issued and others	(42.3)	(516.6)	(558.9)
Due to the Central Bank	59.2	(3.2)	56.0
Change in interest expense	1,386.2	(672.9)	713.3

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 2019, the Bank's interest income increased by RMB918.0 million or 6.7% to RMB14,613.6 million as compared to the same period of last year. The increase in the Bank's interest income was primarily due to the increase in the Bank's average balance of interest-earning assets of 11.9% from RMB533,630.5 million for the same period of last year to RMB597,385.2 million for the first half of 2019, as a result of increases in the Bank's loans and advances to customers, investments in debt securities, due from banks and other financial institutions and long-term receivables, which were partially offset by a decrease in the average yield ratio of the interest-earning assets from 5.18% for the same period of last year to 4.93% for the first half of 2019. The decrease in the average yield ratio of the interest-earning assets was primarily due to the decrease of yield ratio of investments in debt securities and due from banks and other financial institutions for the first half of 2019.

1. *Interest income from loans and advances to customers*

For the first half of 2019, the Bank's interest income from loans and advances to customers increased by RMB731.4 million or 9.9% to RMB8,146.2 million year-on-year, primarily as a result of a 6.0% increase in the average balance of loans and advances to customers and a 0.23 percentage point increase in the average yield ratio. The increase in the average balance of loans and advances to customers was mainly attributable to the Bank's efforts to increase credits granted for better supporting the real economy. The increase in the average yield ratio was mainly attributable to the Bank's strengthened loan pricing management.

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					
	2019			2018		
	Average balance	Interest income	Average yield ratio	Average balance	Interest income	Average yield ratio
				(In RMB million, except percentages)		
Corporate loans	137,309.7	4,218.6	6.20%	122,953.7	3,714.1	6.09%
Personal loans	118,077.8	3,924.6	6.70%	117,059.6	3,667.3	6.32%
Discounted bills	115.0	3.0	5.26%	1,122.1	33.4	6.00%
Total loans and advances to customers	255,502.5	8,146.2	6.43%	241,135.4	7,414.8	6.20%

2. Interest income from investments in debt securities

For the first half of 2019, the Bank's interest income from investments in debt securities amounted to RMB4,767.1 million, representing a year-on-year decrease of RMB283.2 million or 5.6%. The decrease in interest income was attributable to the decrease of the average yield ratio of 0.80 percentage point. The decrease in the average yield ratio of investments in debt securities was mainly attributable to the yield ratio of new investments in debt instruments issued by financial institutions being lower than that of the same period of last year affected by the market factors, and the declined asset quality of some investments in debt instruments issued by financial institutions as a result of the economic downturn.

3. Interest income from cash and balances with the Central Bank

For the first half of 2019, the Bank's interest income from cash and balances with the Central Bank decreased by RMB26.4 million or 6.7% to RMB366.3 million as compared to the same period of last year, primarily attributable to the decrease in average balance of cash and balances with the Central Bank of 5.3%.

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

For the first half of 2019, the Bank's interest income from amounts due from banks and other financial institutions amounted to RMB543.6 million, representing a year-on-year increase of RMB112.7 million or 26.2%. The increase was primarily attributable to an increase of 84.5% in the average balance of such assets partially offset by a decrease of 1.20 percentage points in the average yield ratio. The increase in the average balance of such assets was primarily attributable to the Bank's increased use of financial assets held under reverse repurchase agreements which was to increase the efficiency of short-term capital for the first half of 2019, while the decrease in the average yield ratio was primarily attributable to the lower yield of financial assets held under reverse repurchase agreements due to changes in liquidity in the market during the first half of 2019.

5. Interest income from long-term receivables

For the first half of 2019, the Bank's interest income from long-term receivables increased by RMB383.5 million to RMB790.4 million year on year, primarily attributable to a 60.8% increase in the average balance of long-term receivables and an increase of 1.07 percentage points in the average yield ratio. The increase in average balance of the such assets was mainly attributable to the accumulation of customers resources and the enhancement in market development capacity, and the increase in the average yield ratio was mainly attributable to the adjustment of pricing policy and improved bargaining power when facing customers.

(III) Interest Expense

For the first half of 2019, the Bank's interest expense increased by RMB713.3 million or 8.2% to RMB9,437.8 million as compared to the same period of last year, primarily attributable to an increase in the average balance of interest-bearing liabilities by 12.4% from RMB500,289.8 million for the same period of last year to RMB562,391.4 million for the first half of 2019, which was partially offset by the decrease in the average cost ratio of interest-bearing liabilities from 3.52% for the same period of last year to 3.38% for the first half of 2019. The decrease in the average cost ratio of the interest-bearing liabilities was mainly due to the decreases of the average cost ratio of amounts due to banks and interest expense on debt securities issued and other interest expense for the first half of 2019.

1. Interest expense on due to customers

For the first half of 2019, the Bank's interest expense on due to customers increased by RMB1,283.6 million or 25.5% to RMB6,312.4 million year on year, primarily attributable to an increase in the average cost ratio of the Bank's due to customers from 2.93% for the same period of last year to 3.12% for the first half of 2019 arising from the onset of interest rate liberalisation and increased market competition, as well as the significant growth of customers deposit with an increase of RMB62,166.9 million in the average balance from RMB346,231.7 million for the same period of last year to RMB408,398.6 million for the first half of 2019.

	For the six months ended 30 June					
	2019			2018		
	Average Balance	Interest expense	Average cost ratio	Average Balance	Interest expense	Average cost ratio
				(In RMB million, except percentages)		
Corporate deposits						
Demand	81,569.4	343.8	0.85%	82,744.7	316.9	0.77%
Time	157,994.4	3,223.6	4.11%	138,462.8	3,040.2	4.43%
Subtotal	239,563.8	3,567.4	3.00%	221,207.5	3,357.1	3.06%
Personal deposits						
Demand	37,331.9	66.0	0.36%	35,990.4	63.3	0.35%
Time	131,502.9	2,679.0	4.11%	89,033.8	1,608.4	3.64%
Subtotal	168,834.8	2,745.0	3.28%	125,024.2	1,671.7	2.70%
Total deposits from customers	408,398.6	6,312.4	3.12%	346,231.7	5,028.8	2.93%

2. Interest expense on due to banks

For the first half of 2019, the Bank interest expense on due to banks decreased by RMB67.4 million or 5.6% to RMB1,134.2 million year on year. It was primarily attributable to a 7.0% increase in the average balance of the underlying liabilities from RMB48,662.4 million for the same period of last year to RMB52,067.3 million for the first half of 2019, and was partly offset by the decrease in the average cost ratio of the underlying liabilities from 4.98% for the same period of last year to 4.39% for the first half of 2019. The increase in average balance of the underlying liabilities was mainly due to the Bank's reinforced liquidity management, tapping more sources of fund, and increase of due to banks, and the decrease in the average cost ratio of the underlying liabilities was mainly due to the relatively ample liquidity in the market in the first half of 2019 and a year-on-year decrease in the price of market capital.

3. Interest expense on debt securities issued and other interest expense

For the first half of 2019, the Bank's interest expense on debt securities issued and other interest expense amounted to RMB1,925.5 million, representing a decrease of RMB558.9 million or 22.5% year on year, mainly attributable to a decrease in the average cost ratio of the underlying liabilities from 4.79% for the same period of last year to 3.97% for the first half of 2019 and a 6.5% decrease in the average balance of the underlying liabilities from RMB104,641.5 million for the same period of last year to RMB97,801.3 million for the first half of 2019. The decrease in the average cost ratio of the underlying liabilities was mainly due to the year-on-year decrease in the price of market capital during the first half of 2019, 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 2019, the Bank's net interest spread decreased from 1.66% for the same period of last year to 1.55% for the first half of 2019, and the net interest margin decreased from 1.88% for the same period of last year to 1.75% for the first half of 2019, mainly attributable to the sluggish economic growth, the deteriorated quality of certain assets, the intensified market competition and other factors.

(V) Non-interest Income

1. Net fee and commission income

For the first half of 2019, the Bank's net fee and commission income increased by RMB330.7 million or 29.2% year on year to RMB1,462.2 million, primarily attributable to the increase in the Bank's agency and custodian fee income and bank card fee income.

	For the six months ended 30 June			
	2019	2018	Change in amount	Rate of change
	(In RMB million, except percentages)			
Fee and commission income	1,536.6	1,298.7	237.9	18.3%
Advisory and consultancy fee	344.4	365.8	(21.4)	-5.9%
Settlement fee	46.1	79.0	(32.9)	-41.6%
Agency and custodian fee	508.1	478.5	29.6	6.2%
Of which: non-principal protected wealth management agency fee	306.7	281.2	25.5	9.1%
Bank card fee	613.0	356.7	256.3	71.9%
Others	25.0	18.7	6.3	33.7%
Fee and commission expense	(74.4)	(167.2)	92.8	-55.5%
Net fee and commission income	1,462.2	1,131.5	330.7	29.2%

For the first half of 2019, the Bank's advisory and consultancy fee income decreased by RMB21.4 million or 5.9% year on year to RMB344.4 million, mainly attributable to the changes in volume of advisory and consultancy business.

For the first half of 2019, the Bank realised an income of RMB46.1 million from settlement fee, representing a year-on-year decrease of RMB32.9 million or 41.6%, mainly attributable to the volume change of the Bank's settlement business and the adjustment in relevant pricing policy.

For the first half of 2019, the Bank's agency and custodian fee income increased by RMB29.6 million or 6.2% year on year to RMB508.1 million, mainly attributable to the increase in the income from non-principal protected wealth management agency fee.

For the first half of 2019, the Bank realised bank card fee income of RMB613.0 million, which increased by RMB256.3 million or 71.9% year on year, 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 2019, the Bank realised other fee and commission income of RMB25.0 million, which increased by RMB6.3 million or 33.7% year on year.

2. Net trading income or loss

For the first half of 2019, the Bank's net trading income increased by RMB107.9 million or 26.4% year on year to RMB515.9 million, mainly attributable to the fair value change in the financial assets measured at fair value through profit or loss and the increase in its interest income.

3. Net gain or loss on financial investments

For the first half of 2019, the Bank's net gains on financial investments increased by RMB203.3 million or 972.7% year on year to RMB224.2 million, mainly attributable to the increase in net gains on disposals of financial assets measured at fair value through other comprehensive income.

4. Other operating income or loss, net

For the first half of 2019, the Bank's other operating income, net, increased by RMB40.2 million or 638.1% year on year to RMB46.5 million, mainly due to the change in foreign exchange.

(VI) Operating Expenses

For the first half of 2019, the Bank's operating expenses increased by RMB33.0 million or 1.7% year on year to RMB1,953.7 million.

	For the six months ended 30 June			
	2019	2018	Change in amount	Rate of change
			(In RMB million, except percentages)	
Staff costs	977.4	909.0	68.4	7.5%
Tax and surcharges	96.6	82.3	14.3	17.4%
Depreciation and amortisation	326.5	266.1	60.4	22.7%
Others	553.2	663.3	(110.1)	-16.6%
Total operating expenses	1,953.7	1,920.7	33.0	1.7%

Staff costs are the largest component of the Bank's operating expenses, representing 50.0% and 47.3% of the Bank's total operating expenses for the first half of 2019 and 2018, 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			
	2019	2018	Change in amount	Rate of change
			(In RMB million, except percentages)	
Staff costs				
Salaries, bonuses and allowances	739.4	674.2	65.2	9.7%
Social insurance	125.9	123.6	2.3	1.9%
Housing fund	61.6	49.5	12.1	24.4%
Staff benefits	38.8	43.1	(4.3)	-10.0%
Labour's union expenditure and education costs	11.7	10.5	1.2	11.4%
Early retirement benefits	0.0	8.1	(8.1)	-100.0%
Total	977.4	909.0	68.4	7.5%

For the first half of 2019, the staff costs of the Bank were RMB977.4 million, which increased by RMB68.4 million or 7.5% year on year, primarily attributable to more branches being established by the Bank, the increase in wages and benefits, the improved remuneration structure, and more emphasis on performance element under the performance appraisal.

For the first half of 2019, the Bank had to pay tax and surcharges of RMB96.6 million, which increased by RMB14.3 million or 17.4% year on year, primarily attributable to the change in tax policies and the increase in taxes as a result of the development of the Bank's business.

For the first half of 2019, depreciation and amortisation of the Bank were RMB326.5 million, which increased by RMB60.4 million or 22.7% year on year, primarily attributable to an increase in the capital expenditure related to the information technology and the operating offices of the Bank.

For the first half of 2019, the Bank's other operating expenses decreased by RMB110.1 million or 16.6% year on year to RMB553.2 million.

(VII) Impairment Losses

For the first half of 2019, the Bank's impairment losses increased by RMB1,531.2 million or 135.5% year on year to RMB2,661.1 million, primarily attributable to the continuing impairment provision for assets on a dynamic basis given the comprehensive consideration as to the uncertainties in economic environment, and pursuant to 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			
	2019	2018	Change in amount	Rate of change
	(In RMB million, except percentages)			
Loans and advances to customers	1,782.7	913.6	869.1	95.1%
Other assets	878.4	216.3	662.1	306.1%
Total impairment losses	2,661.1	1,129.9	1,531.2	135.5%

(VIII) Income Tax Expenses

For the first half of 2019, the Bank's income tax expenses decreased by RMB278.3 million or 31.7% year on year to RMB600.9 million.

	For the six months ended 30 June			
	2019	2018	Change in amount	Rate of change
	(In RMB million, except percentages)			
Current income tax expenses	1,023.1	1,074.0	(50.9)	-4.7%
Deferred income tax expenses	(422.2)	(194.8)	(227.4)	116.7%
Effective income tax expenses	600.9	879.2	(278.3)	-31.7%

III. Analysis of Key Items of Financial Position

(I) Assets

As at 30 June 2019, the Bank's total assets increased by RMB7,846.2 million or 1.3% to RMB623,434.7 million as compared to the end of last year, mainly attributable to the increase in the Bank's loans and advances to customers, investment in securities and other financial assets, cash and balances with the Central Bank.

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Loans and advances to customers, net	255,037.9	40.9%	248,571.8	40.4%
Net investment in securities and other financial assets	234,779.2	37.7%	224,878.6	36.5%
Cash and balances with the Central Bank	83,920.9	13.5%	75,808.7	12.3%
Due from banks and other financial institutions	6,516.9	1.0%	21,333.5	3.5%
Financial assets held under reverse repurchase agreements	–	–	10,856.2	1.8%
Other assets	43,179.8	6.9%	34,139.7	5.5%
Total assets[1]	623,434.7	100.0%	615,588.5	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 2019, the Bank's total loans and advances to customers increased by RMB7,074.1 million to RMB260,836.8 million, representing an increase of 2.8% 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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Corporate loans	136,431.9	52.3%	138,344.3	54.5%
Personal loans	123,764.0	47.5%	115,387.8	45.5%
Discounted bills	640.9	0.2%	30.6	0.0%
Total loans and advances to customers	260,836.8	100.0%	253,762.7	100.0%

(1) Corporate loans

As at 30 June 2019, the Bank's corporate loans decreased by RMB1,912.4 million to RMB136,431.9 million, representing a decrease of 1.4% as compared to the end of last year.

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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Loans to small enterprises[1]	58,638.5	43.0%	65,327.3	47.2%
Other corporate loans excluding loans to small enterprises	77,793.4	57.0%	73,017.0	52.8%
Total corporate loans	136,431.9	100.0%	138,344.3	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 2019, the Bank's loans to small enterprises decreased by RMB6,688.8 million to RMB58,638.5 million, representing a decrease of 10.2% as compared to the end of last year. As at 30 June 2019 and 31 December 2018, the Bank's loans to small enterprises accounted for 43.0% and 47.2% of the Bank's total corporate loans, respectively.

(2) Personal loans

As at 30 June 2019, the Bank's personal loans increased by RMB8,376.2 million or 7.3% to RMB123,764.0 million as compared to the end of last year, mainly attributable to the Bank's continuing development of personal loans in line with the PRC government's policy of supporting financial institutions to provide financial services to SMEs and rural areas. Personal loans, including loans to small enterprise owners, personal consumption loans and loans to farmers, constituted an important component of the Bank's microfinance business, which grew under the support of the Bank's policy of focusing on microcredit business development.

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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprise owners	37,650.4	30.4%	32,865.2	28.5%
Personal consumption loans	71,931.6	58.1%	69,615.2	60.3%
Loans to farmers	14,182.0	11.5%	12,907.4	11.2%
Total personal loans	123,764.0	100.0%	115,387.8	100.0%

As at 30 June 2019, loans to small enterprise owners, personal consumption loans and loans to farmers increased by 14.6%, 3.3% and 9.9%, respectively, as compared to the end of last year.

2. Investment in securities and other financial assets

As at 30 June 2019, the total amount of the Bank's investment in securities and other financial assets was RMB236,430.9 million, representing an increase of RMB10,425.9 million or 4.6% as compared to the end of last year. The increase in such assets of the Bank for the first half of 2019 was mainly due 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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Financial assets measured at fair value through profit or loss	44,136.5	18.7%	38,197.8	16.9%
Financial investment				
—Financial assets measured at amortised cost	155,613.5	65.8%	153,451.4	67.9%
—Financial assets measured at fair value through other comprehensive income	36,680.9	15.5%	34,355.8	15.2%
Total investment in securities and other financial assets	236,430.9	100.0%	226,005.0	100.0%

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

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Debt investments:				
Bond investments	73,108.1	30.9%	67,897.0	30.0%
Debt instruments issued by financial institutions(1)	163,241.4	69.0%	158,026.6	69.9%
Subtotal	236,349.5	99.9%	225,923.6	99.9%
Equity investment	81.4	0.1%	81.4	0.1%
Total investment in securities and other financial assets	236,430.9	100.0%	226,005.0	100.0%

Note:

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

As at 30 June 2019, the Bank's investment in debt instruments issued by financial institutions was RMB163,241.4 million, representing an increase of RMB5,214.8 million or 3.3% as compared to the end of last year. As a percentage of total investment in securities and other financial assets, investments of this class decreased from 69.9% as at 31 December 2018 to 69.0% as at 30 June 2019.

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
		(In RMB million, except percentages)		
Government bonds	28,437.9	38.9%	20,502.1	30.2%
Bonds issued by financial institutions	11,293.9	15.4%	10,312.1	15.2%
Corporate bonds	15,100.2	20.7%	13,672.0	20.1%
Bonds issued by policy banks	18,276.1	25.0%	23,410.8	34.5%
Total bond investments	73,108.1	100.0%	67,897.0	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, (ii) due from banks and other financial institutions and (iii) financial assets held under reverse repurchase agreements.

As at 30 June 2019, the Bank's cash and balances with the Central Bank increased by RMB8,111.6 million to RMB83,897.7 million, representing an increase of 10.7% as compared to the end of last year.

As at 30 June 2019, the Bank's due from banks and other financial institutions decreased by RMB14,790.6 million to RMB6,469.5 million, representing a decrease of 69.6% as compared to the end of last year, mainly because the Bank adjusted the weight of such assets based on its financial status and changes in liquidity in the market.

As at 30 June 2019, the Bank's financial assets held under reverse repurchase agreements decreased by RMB10,847.5 million to RMB0 million, representing a decrease of 100.0% as compared to the end of last year, mainly because the Bank adjusted the scale of such assets based on the comprehensive consideration of financial status and market liquidity.

(II) Liabilities

As at 30 June 2019, the Bank's total liabilities were RMB573,343.3 million, representing an increase of RMB5,246.3 million or 0.9% as compared to the end of last year.

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Due to customers	421,661.7	73.6%	400,280.2	70.5%
Due to banks[1]	44,140.3	7.7%	43,323.1	7.6%
Repurchase agreements	8,020.0	1.4%	2,990.7	0.5%
Debt securities issued	83,113.7	14.5%	112,766.4	19.8%
Due to Central Bank	9,923.5	1.7%	3,173.6	0.6%
Other liabilities[2]	6,484.1	1.1%	5,563.0	1.0%
Total liabilities[3]	573,343.3	100.0%	568,097.0	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 2019, the Bank's total due to customers increased by RMB19,125.8 million to RMB414,642.6 million, representing an increase of 4.8% 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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
				(In RMB million, except percentages)
Corporate deposits				
Demand deposits	97,770.9	23.6%	88,853.4	22.5%
Time deposits	130,236.0	31.4%	164,355.0	41.5%
Subtotal	228,006.9	55.0%	253,208.4	64.0%
Personal deposits				
Demand deposits	40,167.5	9.7%	41,152.7	10.4%
Time deposits	146,468.2	35.3%	101,155.7	25.6%
Subtotal	186,635.7	45.0%	142,308.4	36.0%
Total due to customers	414,642.6	100.0%	395,516.8	100.0%

2. *Due to banks*

As at 30 June 2019, the Bank's balance of due to banks increased by RMB422.3 million to RMB43,118.7 million, representing an increase of 1.0% as compared to the end of last year. The changes in the Bank's due to banks reflected adjustment of the portion of the due to banks in the liabilities based on market liquidity and the Bank's capital needs and taking into consideration of the Bank's need to match assets and liabilities.

3. *Repurchase agreement*

As at 30 June 2019, the Bank's repurchase agreement were RMB8,011.7 million, representing an increase of RMB5,021.7 million or 167.9% as compared to the end of last year. The changes in the Bank's repurchase agreement reflected the adjustment of 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 2019, the Bank's debt securities issued were RMB83,016.1 million, representing a decrease of RMB29,363.6 million or 26.1% as compared to the end of last year, mainly due to the expiration of certain issued debt securities of the Bank.

(III) Shareholders' Equity

As at 30 June 2019, the Bank's total shareholders' equity increased by RMB2,599.9 million to RMB50,091.4 million, representing an increase of 5.5% as compared to the end of last year. As at 30 June 2019, total equity attributable to owners of the parent increased by RMB2,043.3 million to RMB48,318.0 million, representing an increase of 4.4% as compared to the end of last year. The increase in shareholders' equity was mainly due to realisation of the Bank's net profit for the first half of 2019.

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
		(In RMB million, except percentages)		
Share capital	10,995.6	22.0%	10,995.6	23.2%
Reserves	18,796.2	37.5%	18,558.6	39.0%
Undistributed profits	18,526.2	37.0%	16,720.5	35.2%
Equity attributable to owners of the parent	48,318.0	96.5%	46,274.7	97.4%
Non-controlling interests	1,773.4	3.5%	1,216.8	2.6%
Total equity	50,091.4	100.0%	47,491.5	100.0%

IV. Off-balance Sheet Commitments

The following table sets out the contractual amounts of the Bank's off-balance sheet commitments as at the dates indicated.

	As at 30 June 2019	As at 31 December 2018
		(In RMB million)
Credit commitments:		
Bank bills acceptance	69,710.1	74,246.8
Issued letters of guarantee	1,952.4	3,135.4
Issued letters of credit	6,828.4	7,871.4
Credit limit of credit card	16,539.0	14,066.2
Subtotal	95,029.9	99,319.9
Capital expenditure commitments	273.8	714.5
Operating lease commitments	N/A	946.1
Treasury bond redemption commitments	2,929.0	2,645.0
Total	98,232.7	103,625.5

In addition, as at 30 June 2019, the amount involved in the significant legal proceedings outstanding against the Group (for itself or as the third party) each with a dispute amount of over RMB10 million was RMB71 million. It is expected that no loss will be caused by these litigations and no provisions need 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", focused on meticulous risk management and rigid control and monitor, practically enhanced the credit risk management which covered the pre-lending, lending and post-lending processes. The Bank gradually strengthened the construction of intelligent risk control, deepened the application of big data in risk prevention and control, and enhanced the ability of risk anticipation. The Bank strictly controlled risk access, strengthened its effort to deal with the settlement and collection of NPLs, broadened the marketisation channels for the disposal of NPLs, and actively disposed of the existing NPLs. As at 30 June 2019, the NPL ratio was 1.89%, which was better than the average level of city commercial banks in China. The non-performing level was stable and controllable. The ratio of loans past due for more than 90 days to NPLs was controlled at 99.41%, which is constantly and strictly controlled within 100%, with increasingly strict standard of asset categorisation. The loan loss reserve ratio was 3.13%, representing an increase of 0.19 percentage point as compared to the end of the last year. The ability of risk offset was further enhanced.

(I) Distribution of Loans under 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 at the dates indicated.

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Pass	248,103.8	95.1%	242,391.6	95.5%
Special mention	7,798.4	3.0%	6,974.5	2.8%
Substandard	2,489.4	1.0%	1,591.4	0.6%
Doubtful	1,532.7	0.6%	1,474.4	0.6%
Loss	912.5	0.3%	1,330.8	0.5%
Total loans and advances to customers	260,836.8	100.0%	253,762.7	100.0%
NPL amount and NPL ratio(1)	4,934.6	1.89%	4,396.6	1.73%

Note:

(1) NPL ratio is calculated by dividing NPL amount 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 Line

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

	As at 30 June 2019			As at 31 December 2018		
	Loan amount	NPL amount	NPL ratio	Loan amount	NPL amount	NPL ratio
				(In RMB million, except percentages)		
Corporate loans						
Loans to small enterprises	58,638.5	1,350.6	2.30%	65,327.3	1,164.0	1.78%
Other corporate loans excluding loans to small enterprises	77,793.4	753.3	0.97%	73,017.0	337.6	0.46%
Subtotal	136,431.9	2,103.9	1.54%	138,344.3	1,501.6	1.09%
Personal loans						
Loans to small enterprise owners	37,650.4	1,363.3	3.62%	32,865.2	1,097.4	3.34%
Personal consumption loans	71,931.6	1,089.5	1.51%	69,615.2	1,246.8	1.79%
Loans to farmers	14,182.0	377.9	2.66%	12,907.4	550.8	4.27%
Subtotal	123,764.0	2,830.7	2.29%	115,387.8	2,895.0	2.51%
Discounted bills	640.9	–	–	30.6	–	–
Total	260,836.8	4,934.6	1.89%	253,762.7	4,396.6	1.73%

In 2019, the Bank continued to actively adjust the credit structure, limit the credit investment in industries with overcapacity and relatively high expected risks and therefore the anti-risk capability of our credit assets was further enhanced. By closely keeping up with the national policies and strategic guidelines, the Bank continued to vigorously develop microfinance business, and deeply developed agriculture-benefiting business based on geographical advantages and needs.

In the first half of 2019, the Bank actively expanded its retail credit business. The proportion of personal loans increased, the asset quality was optimised, and both of the amount and the ratio of NPLs decreased. The Bank strengthened the construction of intelligent risk control, promoted the centralised retail approval mechanism, and supported retail transformation. The NPL ratio of personal consumption loans decreased by 0.28 percentage point to 1.51%. In the first half of the year, the Bank continued to be dedicated to supporting the green credit business of modern agriculture, appealed to the fundamental nature of "agriculture-benefiting business", solidly promoted the special governance and risk management in the field of agricultural loans, promoted the centralised strategy of agricultural loan business rules and refined the management. The NPL ratio of loans to farmers decreased by 1.61 percentage points to 2.66%, achieving remarkable decrease.

Under the pressure from the economic downturn, the NPL ratio of the Bank's corporate loans increased to 1.54%, primarily attributable to: firstly, the fact that some state-owned borrowers which were outstanding in the past defaulted, and the number of the companies involving debt restructuring such as the debt committee increased; secondly, due to the Bank's adherence to the microfinance strategy, the small enterprises accounted for a large proportion of the Bank's clients, which suffered tight capital chain and decline in solvency because of the slowdown in economic growth. The Bank actively responded to this problem by strictly managing the customer access standards of corporate loans, proactively optimising credit supply, gradually shifting resources to strategic customers, and implementing the name list entry system and dynamic management. The Bank continuously strengthened quota and concentration management, increased the comprehensive application of "trading suspension and resumption", "AI + big data" and credit ratings published by the PBOC, strengthened centralised management of approval, established a vertical approval management structure to improve the controlling capabilities for asset quality. The Bank focused on the whole process management of loans and strengthened the NPL management throughout life cycles of loans. The head office and branches collaborated across business lines and strengthened the management accountability for problematic loans and NPLs. In addition, with respect to small enterprise customers, the Bank actively supported the development of the real economy, continuously increased its support for the transformation and upgrading of small enterprises. With the "innovative small and micro enterprises" as its business development orientation and "customer-oriented" as the principle of elevating comprehensive customer service while implementing full-life-cycle risk management of the customers, the Bank focused on customer groups "with business data and good performance", and performed precise marketing and precise risk control by leveraging on financial technology and big data to perfect the small and micro enterprise financial services under the current economic situation.

(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 2019				As at 31 December 2018			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
					(In RMB million, except percentages)			
Agriculture, forestry, husbandry and fishery	1,813.7	0.7%	128.2	7.07%	2,135.8	0.8%	38.8	1.82%
Mining	132.9	0.1%	3.0	2.26%	157.6	0.1%	3.0	1.90%
Manufacturing	8,407.2	3.2%	564.4	6.71%	11,451.2	4.5%	833.1	7.28%
Production and supply of electricity, heating, gas and water	2,628.0	1.0%	64.2	2.44%	2,767.4	1.1%	80.5	2.91%
Construction	10,624.9	4.1%	477.1	4.49%	12,168.2	4.8%	11.0	0.09%
Transportation, storage and postal services	3,362.8	1.3%	0.5	0.01%	3,801.9	1.5%	–	–
Information transmission, software and information technology services	684.8	0.3%	17.6	2.57%	817.1	0.3%	–	–
Wholesale and retail	34,562.0	13.3%	599.9	1.74%	29,781.7	11.7%	446.3	1.50%
Accommodations and catering	3,237.8	1.2%	147.9	4.57%	3,451.5	1.4%	52.9	1.53%
Finance	819.8	0.3%	–	–	734.9	0.3%	–	–
Real estate	22,288.4	8.5%	16.5	0.07%	21,385.7	8.4%	16.6	0.08%
Leasing and commercial services	34,916.6	13.4%	36.8	0.11%	37,357.3	14.7%	6.6	0.02%
Scientific research and technological services	312.5	0.1%	16.4	5.24%	384.2	0.2%	2.8	0.73%
Water conservation, environment and public utility management	10,143.3	3.9%	24.2	0.24%	9,362.5	3.7%	4.5	0.05%
Residential, repair and other services	222.2	0.1%	1.0	0.43%	338.0	0.1%	5.5	1.63%
Education	317.6	0.1%	–	–	338.1	0.1%	–	–
Health and social work	1,179.9	0.5%	6.2	0.52%	1,143.3	0.5%	–	–
Culture, sports and entertainment	355.5	0.1%	–	–	345.9	0.1%	–	–
Public management, social security and social organisation	422.0	0.2%	–	–	422.0	0.2%	–	–
Total corporate loans	136,431.9	52.3%	2,103.9	1.54%	138,344.3	54.5%	1,501.6	1.09%
Total personal loans	123,764.0	47.5%	2,830.7	2.29%	115,387.8	45.5%	2,895.0	2.51%
Discounted bills	640.9	0.2%	–	–	30.6	0.0%	–	–
Total	260,836.8	100.0%	4,934.6	1.89%	253,762.7	100.0%	4,396.6	1.73%

As at 30 June 2019, the NPLs of corporate loans of the Bank concentrated in wholesale and retail and manufacturing, with NPLs of RMB599.9 million and RMB564.4 million, respectively and a high NPL ratio of 1.74% and 6.71%, respectively, mainly because the manufacturing, wholesale and retail accounted for the largest proportion of small enterprise customers and the Bank adheres to the overall development strategy of supporting small and micro enterprises. The NPL ratio of the above-mentioned industries therefore accounted for a large proportion. The Bank actively adjusted its industry structure of loans, differentiated risk prevention and control strategies in key areas such as overcapacity industries, and local government financing platform businesses, and tightened or withdrew loans for risky customers such as overcapacity and third party customers. With "name list management" as an effective starting point, the Bank implemented differentiated loan granting standards to customers, continued to optimise customer structure, and simultaneously adopted multiple measures, strictly controlled new NPLs, actively resolved 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 2019				As at 31 December 2018			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
					(In RMB million, except percentages)			
Heilongjiang region	108,592.8	41.6%	2,331.8	2.15%	104,044.3	41.0%	2,518.0	2.42%
Other regions in Northeastern China	37,060.4	14.2%	680.1	1.84%	40,015.7	15.8%	388.1	0.97%
Southwestern China	51,285.0	19.7%	783.4	1.53%	50,694.5	20.0%	462.2	0.91%
Northern China	43,684.6	16.8%	1,016.3	2.33%	41,089.2	16.2%	849.7	2.07%
Other regions	20,214.0	7.7%	123.0	0.61%	17,919.0	7.0%	178.6	1.00%
Total	260,836.8	100.0%	4,934.6	1.89%	253,762.7	100.0%	4,396.6	1.73%

As at 30 June 2019, revolving around the regional advantageous industries, leading industries and the key government support projects, the Bank gave full play to its geographical advantage and enhanced precise credit granting and risk management with regional characters. The region with a higher ratio of regional NPL amount to total NPL amount was still the Heilongjiang region; however, the NPL ratio decreased by 0.27 percentage point to 2.15% as compared to the end of last year. The NPL ratio in other regions was relatively low, and the risk was diversified and under control. The Bank will continue to optimise the regional credit resource allocation and promote the balanced development of credit granting in each region.

(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 2019				As at 31 December 2018			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
						(In RMB million, except percentages)		
Unsecured loans	46,918.2	18.0%	735.5	1.57%	39,731.4	15.7%	978.0	2.46%
Guaranteed loans	72,611.4	27.8%	1,945.5	2.68%	72,315.3	28.5%	1,815.2	2.51%
Collateralised loans	125,881.5	48.3%	2,118.5	1.68%	125,073.6	49.3%	1,522.6	1.22%
Pledged loans	15,425.7	5.9%	135.1	0.88%	16,642.4	6.5%	80.8	0.49%
Total	260,836.8	100.0%	4,934.6	1.89%	253,762.7	100.0%	4,396.6	1.73%

During the Reporting Period, the Bank made dynamic responses to changes in the economic environment and raised the controllability of ultimate risk on loan. The overall NPLs of collateralised loans was stable with the NPL ratio of 1.68%. 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 was increased, the ultimate overall risk was under control. Meanwhile, the Bank adopted a differentiated risk pricing method under the risk pricing system based on clients' contribution to ensure 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 with a slight increase in NPL ratio of guaranteed loan. In addition, the guarantees provided by the related customers, distant customers and private guarantee companies were carefully chosen and quota management was implemented by the Bank during the Reporting Period, while new mutual guarantees and joint guarantees for loan were prohibited, in order to continue to strengthen the capacity of guarantee provision with controllable ultimate risk.

The Bank continued to establish an intelligent risk control system, 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. The NPL ratio of unsecured loans decreased by 0.89 percentage point to 1.57% as compared to the end of last year.

Moreover, the Bank strengthened its effort to dispose of NPLs, widened the disposal channels by various means, refined management, classified policies, and ensured the control of loan risks and the relative stability of overall loan quality by self-recovering and accelerating the write-off and disposals of NPLs.

(VI) Concentration of Borrowers

As of 30 June 2019, 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 2019, the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance, none of which had NPL.

	Industry	As at 30 June 2019 Loan balance	% of total loans	% of net capital
		(In RMB million, except percentages)		
Borrower A	K – Real estate	1,524.4	0.59%	2.51%
Borrower B	L – Leasing and commercial services	1,516.0	0.58%	2.49%
Borrower C	K – Real estate	1,490.0	0.57%	2.45%
Borrower D	L – Leasing and commercial services	1,485.0	0.57%	2.44%
Borrower E	K – Real estate	1,337.5	0.51%	2.20%
Borrower F	K – Real estate	1,288.0	0.50%	2.12%
Borrower G	L – Leasing and commercial services	1,187.2	0.46%	1.95%
Borrower H	L – Leasing and commercial services	1,099.9	0.42%	1.81%
Borrower I	F – Wholesale and retail	1,000.0	0.38%	1.64%
Borrower J	E – Construction	1,000.0	0.38%	1.64%
Borrower K	F – Wholesale and retail	1,000.0	0.38%	1.64%
Total		13,928.0	5.34%	22.89%

(VII) Overdue Loans and Advances to Customers

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

	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Current loans and advances	244,397.3	93.7%	242,974.4	95.7%
Loans and advances past due:(1)				
For 1 to 90 days	11,534.2	4.4%	6,558.5	2.6%
For 91 days to 1 year	3,208.6	1.2%	2,400.0	1.0%
For 1 year and above	1,696.7	0.7%	1,829.8	0.7%
Subtotal	16,439.5	6.3%	10,788.3	4.3%
Total loans and advances to customers	260,836.8	100.0%	253,762.7	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 2019, the overdue loans and advances accounted for 6.3% of the total loans and advances, the majority of which were loans and advances within 90 days overdue, accounting for 4.4% of the total loans and advances, primarily attributable to, among others, the slowdown in economic growth, slower capital turnover, reduced loans from banks, and more difficult financing, resulting in the capital chain tension and the increase of temporary overdue. The Bank conducted the whole process management of loan granting. According to different stages and different risk levels of the loans being exposed to, the Bank adopted specific preventive measures to prevent overdue loans from increasing and loan quality from declining. During the year, the Bank adopted stricter classification criteria, intensified control on risk assets. As at 30 June 2019, the ratio of loans past due for more than 90 days to NPLs was 99.41%. The asset classification truly reflected the actual asset quality.

(VIII) Movements of Allowance for Impairment on Loans

Pursuant to the requirements of IFRS 9, the Bank made use of "expected credit loss model" for measurement of impairment of underlying financial assets. The Bank took prudence as its principle and made full provision for impairment losses on loans. As at 30 June 2019, impairment losses on loans amounted to RMB8,154.4 million, which increased by RMB685.3 million as compared to the end of last year. The loan loss reserve ratio was 3.13%, which increased by 0.19 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 2019	As at 31 December 2018
		(In RMB million)
Balance at the beginning of the period	7,469.1	7,173.5
Exchange difference	0.0	2.6
Charged during the period	1,782.7	1,632.1
Accreted interest on impaired loans	(50.2)	(70.8)
Write-offs and transferred	(1,059.2)	(1,374.3)
Recoveries of loans and advances previously written off	12.0	106.0
Balance at the end of the period	8,154.4	7,469.1

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 each of the Bank's head office and branches in 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 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

	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 2018						
Operating income	4,342.1	662.2	876.9	422.1	234.5	6,537.8
Operating expenses	(1,371.9)	(154.1)	(220.3)	(96.6)	(77.8)	(1,920.7)
Impairment losses	(542.9)	(103.2)	(310.8)	(141.8)	(31.2)	(1,129.9)
Operating profit	2,427.3	404.9	345.9	183.7	125.4	3,487.2
As at 30 June 2018						
Segment assets	424,761.7	45,875.8	56,760.2	34,964.5	9,579.3	571,941.5
Segment liabilities	355,691.4	50,545.7	68,259.3	45,302.7	8,200.1	527,999.2

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			
	2019		2018	
	Amount	% of total	Amount	% of total
			(In RMB million, except percentages)	
Heilongjiang region	4,111.3	55.3%	4,342.1	66.4%
Other regions in Northeastern China	844.4	11.4%	662.2	10.1%
Southwestern China	1,416.4	19.1%	876.9	13.4%
Northern China	838.0	11.3%	422.1	6.5%
Other regions	214.5	2.9%	234.5	3.6%
Total operating income	7,424.6	100.0%	6,537.8	100.0%

(II) Business Segment Report

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

	For the six months ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate finance business	2,872.5	38.7%	1,955.9	29.9%
Retail finance business	2,373.8	32.0%	2,163.8	33.1%
Financial institutions business	2,163.3	29.1%	2,393.6	36.6%
Other businesses [(1)]	15.0	0.2%	24.5	0.4%
Total operating income	7,424.6	100.0%	6,537.8	100.0%

Note:

(1) Include net trading income or loss, net gain or loss on financial investments and other operating income or loss, net.

VII. Analysis of Capital Adequacy Ratio

The Group continued to optimise its business structure and strengthen capital management. As at 30 June 2019, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.89%, 9.91% and 12.29%, respectively, which were in line with the regulatory requirements during the transition period provided in the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) issued by the CBIRC, which increased by 0.15 percentage point, 0.16 percentage point and 0.14 percentage point, respectively, as compared to the end of last year. The increase in capital adequacy ratio was mainly due to the Bank's replenishment of capital through its own profit and the slowdown in the growth of risk-weighted assets.

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

	As at 30 June 2019	As at 31 December 2018
	(In RMB million, except percentages)	
Core capital	49,131.7	46,844.8
Core Tier 1 Capital deductible items:		
Full deductible items	(181.8)	(181.3)
Net core tier 1 capital	48,949.9	46,663.5
Net other tier 1 capital	108.5	76.0
Net tier 1 capital	49,058.4	46,739.5
Net tier 2 capital	11,777.5	11,477.2
Net capital	60,835.9	58,216.7
Credit risk-weighted assets	454,870.1	440,690.3
Market risk-weighted assets	13,804.1	11,953.1
Operational risk-weighted assets	26,516.5	26,516.5
Total risk-weighted assets	495,190.7	479,159.9
Core tier 1 capital adequacy ratio	9.89%	9.74%
Tier 1 capital adequacy ratio	9.91%	9.75%
Capital adequacy ratio	12.29%	12.15%

VIII. Business Operation

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

(I) Retail Finance Business

In the first half of 2019, the Bank's retail finance business focused on a bank-wide strategic transformation. While serving customers of wealth management and family wealth planning, the Bank consolidated the existing elderly customers and cultivated customers of younger generation and scenario finance customers. In the context of smart banking, the Bank achieved new breakthroughs in intelligent business development, marketing refinement, channel integration and institutional specialisation through smart products and financial service innovation, relationship management with digitalisation customers and big data application, "online + offline" channel synergy, retail exclusive sub-branch transformation and other measures. Moreover, through the optimisation of business processes, improvement of operational efficiency and provision of standardised quality services, the Bank created a "comprehensive retail" business brand to promote the sustainable and high-quality development of its retail financial business.

In the first half of 2019, the Bank continued to improve its pricing mechanism and system construction of the retail finance business, enhancing the risk pricing capability and therefore creating a new profit model with all its strength. During the Reporting Period, the retail finance business of the Bank recorded a profit before tax of RMB985.9 million, accounting for 35.09% of profit before tax of the Bank and operating income of RMB2,373.8 million, representing a year-on-year increase of 9.71% and accounting for 31.97% of the operating income of the Bank.

Retail customers

Facing new trends in the economy, the Bank always paid attention to customer service improvement. The Bank grasped the diversified financial needs of customers, created scenario-based customer services and established online and offline channels by applying the internet thinking model, thus comprehensively enhancing overall experience of retail customer and establishing a comprehensive new retail financial service system. As at 30 June 2019, the Company had 12,837.5 thousand retail deposit customers, representing an increase of 584.4 thousand or 4.8% as compared to the beginning of the year. The number of retail customers with personal financial assets (in RMB and other foreign currencies) over RMB50,000 amounted to 658.7 thousand, representing an increase of 90 thousand or 15.9% as compared to the beginning of the year.

Retail deposits

The Bank provides demand and time deposits service to retail customers based on statutory interest rate and the floating interest rate range. Such deposits were mostly denominated in RMB with only a small portion denominated in foreign currencies. As at 30 June 2019, the total retail deposits of the Bank amounted to RMB186,635.7 million, representing an increase of RMB44,327.3 million or 31.1% as compared to the end of last year. The average balance of retail deposits amounted to RMB168,834.8 million, representing a year-on-year increase of 35.0%. Demand deposits accounted for 21.52% of the balance of retail customer deposits. According to the statistics provided by the Harbin branch of the PBOC, the balance of retail deposits of the Harbin branch of the Bank ranked first in the local market with a market share of 16.7% during the Reporting Period.

Retail loans

During the Reporting Period, upholding its special development strategy of “microcredit”, the retail loan business of the Bank leveraged its advantages in the comprehensive contribution of retail loans to contribute for the Bank’s brand and value, depending on scenario-based model for major retail business, primarily residence scenario and supplemented with health, education, entertainment, consumption, transportation and finance scenarios. By applying the concept of big data and mobile internet, and exploring the existing customers and third-party platforms docking, the Bank achieved the operation model of “touch net” and conducted precision marketing to secure a huge number of customers. The Bank also formulated a “full life cycle” product upgrading management mechanism, focusing on groups of customers who had house(s), high credit rating, and high loyalty, launched online fast loan products such as White-collar Loans (白領貸) and Scenario Loans (場景貸), thus establishing an innovative model of small property-backed consumer loan, and realising a new experience of “Internet +”. The Bank deepened the application of retail internal assessment results in the whole process, established the “model + rules” smart decision-making mechanism which introduced third-party data to strengthen the ability of anti-fraud and risk prevention and control, identification, and early warning, which in turn further improved the risk management and control capabilities of the retail loan business of the Bank. As at 30 June 2019, the balance of the Bank’s personal loans reached RMB123,764.0 million, which increased by 7.26% as compared to the end of last year, accounting for 47.5% 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 RMB37,650.4 million, RMB71,931.6 million and RMB14,182.0 million, respectively, accounting for 30.4%, 58.1% and 11.5% of the Bank’s total personal loans, respectively.

Bank cards

During the Reporting Period, the Company continued to accelerate the development of the credit card business to promote growth in size. As at 30 June 2019, the total number of issued credit cards by the Company reached 908 thousand, of which 160.4 thousand were newly issued during the Reporting Period, representing an increase of 21.46% as compared to the end of last year. The credit card asset balance amounted to RMB12,127 million, representing an increase of 12.18% as compared to the end of last year. As at 30 June 2019, the number of debit cards issued by the Company recorded a steady increase, reflecting a good development trend in debit cards business. The total number of issued debit cards reached 16.1348 million, of which 733.6 thousand were newly issued during the Reporting Period.

Wealth management business

The wealth management business of the Bank revolves around the appreciation of the value of customers' family wealth management. The Bank continues to diversify its product offerings, widens its online sales channels, focuses on the financial scenarios such as healthcare for the elderly, children and education, provides integrated services from deep within the community, and dedicates itself to providing professional, convenient and high quality wealth management service to customers' families. As at 30 June 2019, the Bank realised total sales of personal wealth management products of RMB57.7 billion.

(II) Corporate Finance Business

In the first half of 2019, closely adhering to the work theme of "overall promotion", the guiding philosophy of "back to the source of regulation and elevating value" and the primary approach of "building mechanism, promoting transformation, expanding channels and enhancing collaboration", the Bank's corporate finance business strengthened the establishment of the corporate deposit marketing mechanism, optimised the liability product system and further widened and deepened the cooperation with customers. The Bank upheld the service philosophy of "customer-oriented", achieving the transformation and implementation of the corporate service team operation model and building a "refined, personalised and integrated" customer service system. The Bank also optimised the strategic customer service mechanism and promoted cross-selling to form a service pattern under which the Bank's corporate business drove the synergy development between the small and micro finance business and retail businesses.

The Bank constantly strengthens the product development of the corporate finance business. The trio product system consisting of "Accounts Connect (賬戶通)", "Settlement Connect (結算通)" and "Trading and Financing Connect (貿融通)" creates a brand effect for its transaction banking. During the Reporting Period, the corporate financing business of the Bank recorded profit before tax of RMB1,065.0 million, accounting for 37.9% of profit before tax of the Bank; and operating income of RMB2,872.5 million, representing an increase of 46.9% as compared to the same period of last year and accounting for 38.7% of operating income of the Bank.

Corporate customers

By leveraging the Bank's strengths in cross-regional operation and outlet resources and closely following the direction of the national strategy, the Bank implemented active marketing activities towards state-owned enterprises, central enterprises, listed companies, high-quality local private enterprises ranking high in taxation and park-based growth enterprises, thus optimising its customer structure; elevated the key customer service level, compiled the lists of bank-level and branch-level strategic customers, and formulated the integrated exclusive financial service plan and steadily improved the customer service capacity and level by focusing on the demand of strategic customers. Meanwhile, the Bank actively conducted interview with mainstream brokers, carried out strategic customer marketing activities, built a normalised customer access channel by leveraging on platforms including the chamber of commerce and entrepreneurs club, and realised information and resource sharing among quality customers. As at 30 June 2019, the Company had 85 thousand corporate deposit customers.

The Bank adhered to the "customer-oriented and market-oriented" principle, delved deep into customer demand, continued to enhance product innovation and comprehensive service capability, actively established the four-in-one comprehensive financial service model of "integration between assets and liabilities operation, domestic and foreign currency, stock, bond and investment and public and private", and achieved the precision marketing and full-cycle financial services management to core customers.

Corporate deposits

During the Reporting Period, the Bank actively promoted the building of the customer deposit marketing mechanism, focused on scenario design and business guidance, and expanded source of debts through multiple channels. The Bank researched and developed the online notes pool system, activated the time value of the notes and improved settlement deposit precipitation; optimised the deposit product system and fulfilled the customers' needs for daily settlement, value preservation and value appreciation by offering several products, which elevated customer loyalty. The Bank also increased business cooperation with government authorities at various levels and increased the size of institutional deposits; actively obtained qualification for bond fund regulation, achieved regulatory funds precipitation and realised stable customers' deposits with growth. As at 30 June 2019, corporate deposits of the Bank amounted to RMB228,006.9 million with demand deposits accounting for 42.9%. The average daily deposits of companies amounted to RMB239,563.8 million, representing an increase of 8.3% as compared to the same period 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 ranked first in the local corporate deposit market with a market share of 15.9%.

Corporate loans

During the Reporting Period, the Bank carried out the orderly launch of asset business through enhancing business guidance and elevating project level and basic risk management, initially forming a four-in-one comprehensive financial service model of "integration between assets and liabilities operation, domestic and foreign currency, stock, bond, loan and investment and public and private". Adhering to the basic principle of back to the source of regulation, the Bank emphasised on supporting regional real economy development and increased its investment in the green industry. The Bank closely followed the national policy orientation, increased its support to the private sector as well as micro and small enterprises, and actively performed its corporate social responsibilities. In the 2019 China Financial Innovation Award, the Bank received the "Top Ten Private Enterprises Financial Service Innovative Award", establishing a good brand image.

As at 30 June 2019, the total corporate loans of the Bank amounted to RMB136,431.9 million, representing a decrease of 1.4% as compared to the beginning of the year and accounting for 52.3% of total loans. Being conscious of observing the risk baseline, the Bank kept the overall quality of its corporate loan assets under control. As at 30 June 2019, the balance of corporate NPLs was RMB2,103.9 million, and the NPL ratio was 1.54%.

Intermediary services

During the Reporting Period, the Bank strengthened its management on intermediate business by continuously enhancing business products and service innovations and innovated the "internet + financial service" concept, integrating professional techniques including payment, settlement, credit and financing, increased its efforts in technological R&D capacity, upgraded the public financial products and improved the overall service level. The Bank created a group treasury management platform, bill note service and trade finance service system, promoted the enrichment of corporate business settlement tools, which provided effective support for debt and asset business growth, and achieved a win-win situation for banks and enterprises through deepening the financial service capacity.

During the Reporting Period, the corporate finance business of the Bank recorded non-interest income of RMB383.4 million, representing a year-on-year increase of 39.6%.

(III) Financial Market Business

During the Reporting Period, the Bank adhered to the principles of "overall promotion, back to the source of regulation", and conducted business in compliance with trends of regulations with a focus on the financial market, asset turnover and asset management. The Bank's interbank finance business returned its focus to standardised products and made great efforts to serve the real economy, thus increasing the value contribution of the interbank business.

For business qualification, the Company is a Class A settlement member of the PRC interbank bond market, a primary dealer in the PBOC's open market, a participant in the time deposit of commercial banks for central treasury, 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 and Dalian, 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 is qualified for mid-term facilities, standing facilities and derivative transactions, and has multiple business qualifications including as a Rouble market maker.

For product innovation, during the Reporting Period, the Company was engaged in, among other things, bond lending, mutual fund investment, interbank market interest rate swaps and repurchase from the stock exchange, 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, financial institutions businesses of the Bank recorded an operating income of RMB2,163.2 million with a year-on-year decrease of 9.6%, accounting for 29.1% of the operating income of the Bank.

Currency market transactions business

During the Reporting Period, the domestic and international macroeconomic environment was highly volatile, with the escalation of trade friction between China and the United States. The Central Bank injected capital into the market through, among others, reserve ratio reduction, TMLF, increasing reverse-repo at the open market and excessive continuation of MLF, to maintain reasonably adequate liquidity in the market and overall low level of market capital costs. While actively responding to the currency policies of the Central Bank and participating in the Central Bank's various operations, the Bank also continued to expand its financing channels on the currency market, providing capital support to mid-to-small institutions on the market without compromising the adequacy of the Bank's liquidity, so as to act as a conductor in the regulation of macro monetary policy and liquidity allocation.

As at 30 June 2019, the balance of the Bank's due from and placements with banks and other financial institutions and balance of financial assets held under reverse repurchase agreements was RMB6,469.5 million, representing a decrease of RMB25,638.1 million or 79.9% as compared to the end of last year, primarily due to the implementation of the interbank deleveraging strategy by the Bank to actively reduce due from banks and other financial institutions in terms of liability size and ratio, which resulted in the decrease of the size of interbank assets such as due from banks and financial assets held under reverse repurchase agreements. As at 30 June 2019, the balance of the Bank's due to and placements from banks and balance of financial assets sold under repurchase agreements was RMB51,130.4 million, representing an increase of RMB5,444.0 million or 11.9% as compared to the end of last year.

Investments business in securities and other financial assets

During the Reporting Period, the Bank closely monitored changes in the economic environment and market, dynamically adjusted the scale of bond investment and portfolio duration based on its judgments to the trends of market interests, acquired excess disposal income through a reasonable grasp on trading patterns and effectively increased the comprehensive income level of bond investment. Meanwhile, closely following the changes in regulatory policies, the Bank constantly enhanced risk awareness and prudently carried out various securities and other financial asset investment businesses.

As at 30 June 2019, the total investments in bonds of the Bank was RMB73,108.1 million, representing an increase of RMB5,211.1 million or 7.7% as compared to the end of last year. The bond overall income achieved RMB1,639 million, among which the gains on disposal through formulation and timely adjustment of the investment strategy with active timing the market was RMB213 million, representing a year-on-year increase of RMB193 million or 965%, hitting a historical high. According to China Central Depository & Clearing Co., Ltd., the bonds traded by the Bank in the first half of 2019 amounted to RMB4,595,042 million, representing an increase of RMB2,927,663 million or 176% as compared to the same period of the last year, among which the spot bond transaction volume was RMB1,885,538 million, representing a year-on-year increase of RMB1,854,878 million or 6,050%, ranking among the leading city commercial banks.

Investment banking business

According to its new three-year development strategy planning and annual innovation planning, the Bank conducted research and development on the products and businesses in key areas, and innovatively launched key products of investment in foreign currency bond to stay closer to market demand, meet different financing needs of clients, and enrich and improve the comprehensive service product system for the large and medium-sized customers of the Bank.

During the Reporting Period, the Bank closely monitored the changes in economic environment and market, increased its investment in standardised products, allocated assets in a rational pattern and accurately grasped the investment timing.

As at 30 June 2019, the total amount of the Company's debt instruments issued by financial institutions amounted to RMB163,241.4 million, representing an increase of 5,214.8 million or 3.3% as compared to the end of 2018, effectively supporting the development of real economy.

In January 2019, the investment banking business of the Bank gained market recognition for its remarkable performance, winning the Debt Financing Plan Business "Breakthrough Award" of Beijing Financial Assets Exchange (北京金融資產交易所債權融資計劃"乘風破浪"獎).

Wealth management business

As at the end of the Reporting Period, the balance of non-principal protected wealth management products of the Company amounted to RMB65,876 million, among which the balance of the existing net-value wealth management products amounted to RMB4,906 million. The number of wealth management customers of the Company continued to grow rapidly. As at the end of the Reporting Period, the number of wealth management customers reached 708.5 thousand, representing an increase of 114.2 thousand or 21.26% as compared to the end of last year.

As at the end of the Reporting Period, the balance of structured deposits of the Company amounted to RMB143,973 million, most of which were related to exchange rate and gold and were sold to corporate and retail customers.

During the Reporting Period, the Company was recognised again "Outstanding Unit of Financial Information Registration Work (理財資訊登記工作傑出單位)" in 2018 from Banking Wealth Management Product Registration & Depository Center Co., Ltd. (銀行業理財登記託管中心) in China; according to "the Bank Wealth Management Capabilities Ranking Report (the Year of 2018) (銀行理財能力排名報告(2018年度))" published by PY Standard (普益標準), the Company ranked 10th in overall wealth management capability among 124 city commercial banks in China.

(IV) Key Featured Business

1. Microcredit business

During the Reporting Period, based on the work theme of "overall promotion", while guided by the microcredit strategy and the "customer-oriented" principle, the Bank continuously promoted the microcredit development strategy and fully strengthened the business ability, risk prevention and control and management innovation, with a focus on the research and development of the microcredit technology and the continuity of building microcredit business brand with the core of small and micro finance business and the farmer benefiting loan business, winning Award of "the Top 10 Inclusive Bank（十佳普惠銀行）".

As at 30 June 2019, the balance of the Bank's microcredit loans amounted to RMB182,402.5 million, representing an increase of RMB1,687.4 million as compared to the end of last year and accounting for 69.9% 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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
				(In RMB million, except percentages)
Loans to small enterprises	58,638.5	32.1%	65,327.3	36.1%
Personal loans	123,764.0	67.9%	115,387.8	63.9%
Total balance of microcredit loans	182,402.5	100.0%	180,715.1	100.0%

Small and micro financial business

During the Reporting Period, the Bank adhered to the "customer-oriented" service principle, strengthened management improvement, established headquarters and branches cooperative working mechanism, expanded the market and served customers together with branches, and improved continuously the ability of small and micro financial client service under the financial service mode of a combination of standardisation and customisation.

During the Reporting Period, the Bank closely followed the economic trend and established a long-term risk monitoring mechanism. After conducting a comprehensive risk investigation, the Bank proactively adjusted its credit structure, strengthened the overdue loans risk monitoring and enhanced asset quality management. At the same time, the Bank 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 promoted the construction of a talent team for small and micro enterprises, established a "value-oriented" incentive promotion mechanism, formulated the "iron triangle" training mechanism for marketing managers, risk managers and product managers, implemented a step-by-step training model for tiered advancement, thereby building a professional small and micro financial team.

As at 30 June 2019, the Bank's balance of loans to small enterprises amounted to RMB58,638.5 million, representing a decrease of 10.2% as compared to the end of last year. The balance of NPLs was RMB1,350.6 million, and the NPL ratio was 2.30%.

Consumer finance business

During the Reporting Period, the Bank rigorously carried out the philosophy of "Inclusive Finance" by establishing an all-rounded comprehensive consumer finance service (product) system, and adhered to the principle of innovative development to expand the platform for quality business cooperation, enrich product lines and improve customer experience. By further accelerating the integration of big data technology of Internet 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 Bank actively explored online consumer financial services, and expedited the process of offline businesses going online, thus further demonstrating the characteristics of consumer finance of modelling, digitisation and information sharing.

As at 30 June 2019, the Bank had launched consumer finance business in several cities across China with the balance of personal consumption loans amounting to RMB71,931.6 million, representing an increase of RMB2,316.4 million as compared to the end of last year.

2. Sino-Russia financial services and international business

During the Reporting Period, the Bank continued to claim the Sino-Russia financial services as one of its bank-wide strategies by leveraging its advantages in financial resources of the Sino-Russia finance, and the Bank thus maintained its leading position in Sino-Russia financial services among its domestic peers. In the first half of 2019, the Bank's financial services to Russia generated operating income of RMB69.51 million; and operating profit of RMB57.13 million. As at 30 June 2019, the Bank's balance of on-balance sheet and off-balance sheet asset businesses to Russia was RMB6 billion.

In 2015, the Company, as the Chinese promoter and the presiding 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. The number of members grew to 72 from the 35 founding members, representing a double increase as compared to the time of establishment.

During the Reporting Period, the Company organised and held two commercial events. The first one was arranging for Chinese members of the council to participate in the 23rd St. Petersburg International Economic Forum. In the forum, the council representatives participated in the plenary session which was attended by Russian President, Putin, and Chinese President, Xi Jinping. Moreover, council members signed a number of cooperation agreements and conducted in-depth exchanges on issues such as Sino-Russia economic and financial cooperation and reached a consensus on further cooperation. The second one was holding the "70th Anniversary of the Establishment of Diplomatic Relations between China and Russia" fifth general meeting of the Sino-Russia Financial Council cum Financial Cooperation Development Forum of the Sino-Russia Make Progress & Win-win Cooperation. Over one hundred persons including members of the Sino-Russia Financial Council, and corporate representatives from Harbin New Area, China and Russia attended the meeting, at which the application for council membership of the new members and the election of the new vice-chairman-in-office were considered and approved. The Chinese and Russian economists conducted in-depth analysis of the economic situation of the two countries at the meeting. Moreover, the members signed a number of cooperation agreements, and the cooperation intention between the members and domestic Russian-related corporate customers was successfully carried out. The representatives expressed their views on how to further deepen the all-round financial cooperation between China and Russia in the context of the 70th anniversary of the establishment of diplomatic relations between China and Russia. The general meeting had fruitful achievements.

During the Reporting Period, the Bank signed the Interbank Lending Agreement amounting to RMB2 billion with VEB.RF, a Russian state development corporation. The Bank participated in the dual-currency international syndicated interbank lending project, where Credit Bank of Moscow, the second largest private bank in Russia, was the borrower, and the maximum line of credit was USD500 million, which deepened asset business cooperation between the Bank and its counterpart in the central district of Russian Federation. As at 30 June 2019, the total interbank credit granted by the Bank to Russian banks amounted to approximately RMB7 billion, and the Bank had 22 Russia accounting banks with our domestic and foreign currency settlement network covering the entirety of the Russian Federation, which played an important role in the development of Sino-Russia financial cooperation.

During the Reporting Period, the Bank launched the first "one-stop" service for overland cross-border cash transportation in Renminbi for Russia, and recorded the cross-border cash transportation of RMB15 million to Asia-Pacific Bank of Russia, which successfully opened up the joint transportation channels of dual-currency, two-way and air-ground for cash in Renminbi and Rouble and thus our transportation service covers throughout the eastern and western regions of Russia. The Bank signed the "Cooperation Agreement of Cross-border Cash Transportation" with four large state-owned banks and mainstream local banks in Russia, further improving the trading counterparties system of the cross-border cash transportation related to Russia. During the Reporting period, the Bank handled cross-border transportation in RMB cash of RMB35 million, thus further facilitating the internationalisation of Renminbi and the use and promotion of RMB cash in countries along the "the Belt and Road Initiative".

During the Reporting Period, the Company handled Rouble foreign exchange of RUB50 billion in interbank foreign currency market and ranked 1st in terms of trading volume.

Cross-border E-commerce payment and settlement

The cross-border E-commerce financial business of the Bank maintained its robust development. Payment channel and system functions were constantly enriched and improved, simultaneously supporting MASTERCARD, JCB International Credit Card payment channels and mainstream payment tools in Russia such as YANDEX, WALLET ONE electronic wallet and commercial bank online banking. As such, the cross-border E-commerce service brand gained an ever-increasing presence and a rising market share in China's interbank market. During the Reporting Period, the trading and settlement volume of the platform reached RMB932 million, representing an increase of 4.95% as compared to the trading and settlement volume of non-VISA transactions in the same period of last year, breaking through RMB13.4 billion in cumulative trading and settlement volume; income generated from the intermediary business amounted to RMB11.65 million; and its market share continued to rise to more than 15%, ranking third in the industry. As at 30 June 2019, the Company had 2,315 existing customers in cross-border E-commerce, representing an increase of 129 customers as compared to the beginning of the year. These business owners were predominantly based in regions with developed E-commerce, such as the Yangtze River Delta and Pearl River Delta. In 2019, the platform continued to be included under the management of the 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 Bank continued to comprehensively implement the national strategic direction of "Rural Revitalisation", grasped the strategic opportunities arising from the modernised agricultural development and adhered to the financial service philosophy of "Benefiting Agriculture, Rural Areas and Farmers with Integrity". The Bank vigorously promoted equal emphasis on quality and efficiency, and comprehensively built a new pattern of agricultural-benefiting finance development from "province to the whole country, from two seasons to the whole year".

During the Reporting Period, while adhering to the "customer-oriented" philosophy, the Bank was dedicated to the expansion of customer groups engaged in new-type agricultural businesses, agricultural chain and industrial cluster projects, actively integrated and interconnected the advantages of the agriculture-related resources of the Group, and innovated and customised the "Agricultural Scenario" comprehensive financial service model of agricultural-benefiting finance customer group to meet the demand of comprehensive financial services of all agriculture-related entities from production to consumption, financing to wealth management, and leasing to insurance; deepened the value of the agriculture-related ecological circle, and comprehensively opened up new agricultural loan operation channels including government-related agricultural organisation, guarantee insurance resources, agriculture-related chain clusters, and agriculture-related big data platforms, achieving precise bulk customer access for the farmer benefiting loan business; completed in phases the first online "Smart Flash Loan of Agricultural Finance" project development work, gradually realised the full online agricultural finance loan objectives of "quick application, flash approval, quick loan, quick repay", comprehensively building the new form of rural financial services "financial technology + agricultural benefit".

As at 30 June 2019, the balance of the Bank's agricultural loans amounted to RMB42,592 million, of which the balance of the Bank's loans to farmers amounted to RMB14,182.0 million, representing an increase of 9.87% as compared to the end of last year. The business covered the majority of rural markets of 13 cities of Heilongjiang and 6 major Agricultural Cultivation Bureau and some rural villages of Shenyang and Chengdu outside the province. The Bank greatly promoted the province and county economic development and the prosperity of rural financial markets from Heilongjiang to the provinces and counties in Northeast China, and supported the rural areas to achieve comprehensive revitalisation.

(V) Information on Controlling Subsidiaries

1. Village and township banks

As at 30 June 2019, the Company had a controlling interest in 32 village and township banks and 36 village and township sub-branches, which were mainly located in the eastern, central and western regions of China. As at 30 June 2019, the total assets of the 32 village and township banks amounted to RMB21,407.8 million, of which the balance of loans amounted to RMB13.61 billion, representing an increase of 7.93% as compared to the end of last year. The balance of deposit amounted to RMB16,066 million, representing an increase of 6.43% as compared to the end of last year. In the first half of 2019, net loss amounted to RMB182 million, representing a year-on-year decrease of 363.91%, mainly attributed to the increase of provision amid the more cautious asset risk classification of the village and township banks.

All village and township banks had thoroughly implemented the overall strategy of the Group. Centring on the "four adherences" i.e. adhering to localisation, lower stream expansion, specialised operation and serving the "Agriculture, Rural Areas and Farmers" and small and micro enterprises, the Bank, through product innovation, building up service culture and innovative business development at different stages of development of the village and township banks with different management evaluation models, gradually formulated an unique culture, philosophy, management mode and working procedures, which effectively enhanced the core competitiveness and made significant contributions to the overall development of the Bank.

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 leading position in domestic leasing market to farmers. As at 30 June 2019, the total assets of HB Leasing amounted to RMB27,964 million. The accumulated investments of its leasing business for the Reporting Period amounted to RMB9,123 million, with a net profit recognised for the Reporting Period of RMB156 million, representing a year-on-year increase of RMB194 million.

HB Leasing always strives to serve the "Agriculture, Rural Areas and Farmers" and remains steadfast in its agricultural strategies. Aiming to become a leading financial leasing company in the banking industry in China with "business characteristics, scientific corporate governance, outstanding location advantages, optimised product system, strict risk prevention and control, and leading management technologies", HB Leasing strives to follow the unique and differentiated development path. Centring on efficiency and benefits and by means of management, HB Leasing strives to develop its featured businesses, proactively creates new income source, explores the agriculture and agricultural equipment industries and puts great efforts into developing the agricultural machinery leasing business. Through leasing of special products and innovation in businesses, HB Leasing follows the path of becoming a leasing company engaging in real leasing business.

3. HBCF

HBCF was established by the Company as the major founder and commenced operation on 11 April 2017, with Harbin of Heilongjiang as its place of registration. As at 30 June 2019, HBCF had total assets of RMB10,527 million, with accumulated granting of loans of RMB21,853 million and balance of loans of RMB10,202 million and realised a net profit of RMB60 million.

HBCF and Duxiaoman Technology (Beijing) Co., Ltd. (度小滿科技（北京）有限公司) entered into a business cooperation agreement. They had in-depth exchanges on, among others, construction of science and technology, big data risk management and artificial intelligence. Both of them jointly promoted the establishment of a fintech united laboratory. They closely collaborated on artificial intelligent collection, collaborative modelling and others, and planned to further enhance their cooperation and exchanges on various aspects including big data and technology. As at 30 June 2019, the accumulated placement through collaborative product named umoney (有錢花) launched by both parties amounted to RMB2,813 million with outstanding loans amounting to RMB2,319 million.

HBCF adheres to the business motto of "Inclusive Finance Driven by Fintech" with customer-orientation and efficient service as its objectives under the lead of technology and support of data. HBCF is dedicated to creating a domestic first-class consumer financial platform driven by Fintech with outstanding core strength, sustainable profitability and healthily growing scale, building a distinctive and industry-leading asset flow platform and creating an "intelligent, efficient, warm and trustworthy" consumer financial brand. As at the end of the Reporting Period, HBCF independently developed the five major system groups of customer access omni-channel, core products, intelligent asset management, risk control by leveraging on big data and smart operation and maintenance, and constructed the digitalised risk management system which covered the pre-lending, lending and post-lending processes, serving over 5 million customers. HBCF was awarded the honour of "Influential Brands in China 2019" and "Brand with the Best Investment Value 2019".

(VI) Distribution Channels

1. Physical network

As at 30 June 2019, the Company had a total of 298 branch outlets, including 1 headquarter, 17 branches, 279 sub-branches and 1 branch-level financial service centre for small enterprises. Besides, the Company had controlling interest in 32 village and township banks, 36 village and township sub-branches, 1 consumer finance company and 1 financial leasing company.

2. Electronic banking

The Bank has already 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. During the Reporting Period, the Bank gave full play to the advantages of electronic channel business, accelerated the online conversion of offline customers and online migration of products, promoted the establishment of smart and scenario-based electronic channels, enhanced the comprehensive customer service capability, and better used network resources, promoting the transformation of the Bank's comprehensive retail business. As at 30 June 2019, the number of electronic channel customers exceeded 2.75 million. The replacement rate of business transactions through the Bank's electronic banking reached 93.7%, and that of mobile banking reached 60.0%, representing an increase of 2.7 percentage points and 9.0 percentage points as compared to the end of last year, respectively.

(1) Self-service banking

The Bank has provided various 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. As at 30 June 2019, the Bank had 1,084 self-service terminals, including 331 ATMs, 474 BCDMs, 172 smart cabinets, 93 multi-media inquiry machines and 14 card issuance machines.

(2) Online banking

The Bank continued to improve the functions of online banking. It provided customers with account services, transfer and remittance, membership management, loan management, investment and wealth management, credit card, management of provident fund and other functions via personal online banking; and provided customers with account management, transfer and remittance, issuing and paying for others, investment and wealth management, cash management, electronic commercial drafts, bill pool and other functions via corporate online banking. As at 30 June 2019, a total of 2,759.5 thousand customers maintained their online banking accounts with the Bank, representing an increase of 19.9% as compared to the end of last year, among which personal online banking customers amounted to 2,666.8 thousand, while corporate online banking customers amounted to 92.7 thousand.

(3) Phone banking

The Bank provides 24-hour telephone banking services to customers through the unified national customer service hotline 95537. Such services include account inquiries, bill payment, credit card business, verbal report of card loss, operator inquiry and outgoing calls. In the first half of 2019, the telephone banking customer service centre recorded a total of 1,229.7 thousand business calls.

The Bank 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 2019, the credit card customer service centre recorded a total of 920.3 thousand business calls, representing an increase of 14.66% as compared to the same period of last year.

(4) Mobile phone banking

The Bank continued to improve the functions of mobile phone banking business, enriched product types, and tailored its online mobile financial service platform for customers. The Bank implemented its "eight service commitments for small and micro private enterprises", launched the mobile banking microfinance zone to provide small and micro customers with services such as living payment, collateral assessment, business loan application and news release, and continued to make assets, debt and intermediate business products available online, launched new white-collar loans, zero deposit benefits and other products. Meanwhile, the Bank relied on biometric technology to enrich the means of security certification and developed the construction of mobile authentication system to meet different business needs of customers and improve the security of customer use. As at 30 June 2019, the Bank had 1,587.1 thousand mobile banking users, representing an increase of 35.4% as compared to the end of last year.

(5) WeChat banking

The WeChat banking has stretched banking services from traditional offline channels to finger tips of customers, which opens featured functions such as account change notifications, palm wealth management, credit card application, booking for provident fund loan, social security inquiry and supplementary payment, client pass (貴客通), and provides value added daily-life services such as charging and bill payment services. Meanwhile, the Bank deployed customer service scenarios, launching agricultural finance insurance, certificates of deposit and "Cun Li Bao" (存利寶) to meet customers' demands for online financial services. As at 30 June 2019, WeChat banking had over 2,381.8 thousand followers, representing an increase of 7.1% as compared to the end of last year.

(VII) Information Technology

In the first half of 2019, the Bank continued to establish information technology and achieved great results in the areas such as, the promotion of key work in close synergy with the business strategy; the enhancement of the technology teams by continuously strengthening science and technology governance; the improvement of the data governance plan to enhance digital management; the consolidation of the "three centres in two regions" foundation to ensure a stable production system; and the enhancement of information security system, thus providing an even more comprehensive and effective support for the business development of the Bank.

During the Reporting Period, the key information system of the Bank ran stably, with no major information security incident. The key systems had an operation stability rate of over 99%.

1. Promotion of key work in close synergy with the business strategy

Great importance was attached to the relevance of IT planning to business strategy, therefore, the Bank had further improved the strategic planning of IT technology to make it relevant to the overall business plan. The Bank had built a technologically integrated working plan in a group setting, enabling the sharing of technology infrastructure. According to the business strategy, investment in scientific and technological resources was rationally arranged, while project review process was optimised and multiple reviews were organised for annual projects, so as to achieve the rational arrangement of resources. Special lines were streamlined to save operating costs, and the Bank will continue to strengthen the unified management of special lines and the flow monitoring work thereof, and conduct special line analysis on a regular basis.

2. Enhancement of the technology teams by continuously strengthening science and technology governance

The Bank has always adhered to an organisation culture of innovation with science and technology. Therefore, the Bank continuously strengthened the construction of an information technology governance system and supported Bank-wide business innovation, transformation and upgrade. To enhance the efficiency and benefits of resources allocation, scientific and reasonable planning was made to IT strategic projects, while the management of post-project evaluation was enhanced, and technology input was arranged rationally with dynamic management, in synergy with the business development and strategic needs. Attempts were made to build a technologically integrated management system suitable for a group setting, one that synergised the Bank with high efficiency, and featured with unified planning, design and standards, as well as hierarchical management, to enhance the information technology level of the Group. In adherence to the mid-term evaluation work of the Bank's strategic planning, the five-year IT plan for 2016-2020 was re-examined. Focusing on the work theme of "overall promotion" and adhering to the people-oriented principle, the Bank fostered a culture of focus, refinement, cooperation and innovation within the teams of the technology line to enhance team cohesion. The Bank also strengthened independent research & development of talents cultivation with focus on the reserve of compound business technology talents, and continuously enriched the talents team in system development, architecture planning, data analysis and information security. By expanding the career path of technology talents, the Bank facilitated the building of a refined and professional technology team.

3. ***Improvement of the data governance plan to enhance digital management***

The Bank continued to promote big data governance work, explored the establishment of a data sharing mechanism within the Group, and gradually built a data governance system targeting at data sharing. In the first half of 2019, the Bank, aiming at improving data quality, focusing on EAST regulatory submissions, and starting with aspects such as special planning, data standards and data quality, comprehensively promoted data governance through effective joint efforts driven by multi-points. While improving the data quality, the Bank continued to improve the organisation and various data management systems and further consolidated the data governance system taking data quality as the basis, data concentration and integration as the hub, and data value realisation as the objective. At the same time, it gradually carried out data full-life-cycle management and control demonstration and construction work, covering metadata, data generation, data application, data archiving, etc. The Bank actively explored and studied the integration of big data platform and traditional data warehouse and effectively integrated internal data of the Group and external data resources, thereby further promoting data applications and realising data values.

4. ***Consolidation of the "three centres in two regions" foundation to ensure a stable production system***

The Bank continued to promote the construction of three centres in two regions, optimise the operation and maintenance system, and enhance business security and continuity.

In the first half of the year, the Bank formulated a plan on disaster recovery. Pursuant to the Guidelines on the Supervision over Business Continuity of Commercial Banks (《商業銀行業務連續性監管指引》) and the Guidelines on Supervision and Administration of Data Centers of Commercial Banks (《商業銀行數據中心監管指引》), the Bank prepared a plan on disaster recovery which is largely applied among cities with minor difference among places supplemented by the primary and backup content. In order to ensure the security and stability of the application system of the Bank, and to achieve a complete disaster recovery system in the same city, the Bank planned to carry out the migration work to form the Main Production Center and the Emergency City Disaster Recovery Center Model. The Bank successfully completed the disaster recovery of the same city with different places, the construction and verification of key system disaster recovery and others, thus providing the basic guarantee for the safe and stable operation of the production system of the Bank.

5. ***Enhancing the construction of information security system***

The Bank attached great importance to the implementation of information security work, actively implemented regulatory policies, strived to improve the information security management system, strengthened information security technology protection, improved the security level of key information infrastructure, and ensured risks to be controllable. These efforts were mainly reflected in the following aspects: First, to promote the construction of information security management system, the Bank completed the annual audit and the re-certification of the ISO27001 system in the first half of 2019. By combining the ISO27001 standard with the information security management needs of the Bank, it established a security management system applicable to the whole Bank, operating efficiently and covering areas including information security, risk management, business continuity, outsourcing management, research & development and project management, and technology operations. Second, by complying with the principles of moderate security, hierarchical protection, situational awareness and emergency response, the Bank enriched technology means for security protection and established an emergency response mechanism for network security to ensure timely detection and handling of potential security hazards. Third, by establishing and improving the life cycle security management mechanism of the information system, the Bank realised the security management of the information system in the stages of demand, development, testing, commissioning, operation and exit, and ensured the simultaneous planning, construction and use of security technology measures. Fourth, the Bank carried out supervision and commissioning reporting, code scanning, vulnerability scanning, security baseline configuration, permeability testing and security architecture review for the new core and related systems, hence providing effective protection for the safe commissioning of the new core system of the Bank. Fifth, by referring to supervision and industry trends, the Bank carried out special self-examinations on the network, mail system, important production and trading systems, big data and personal information protection, and checked with regulatory requirements to actively improve the Bank's security governance and protection system.

IX. Risk Exposure and Management

In the first half of 2019, the Bank continued to deepen the refined management of risk and rigid management and control, paid attention to the transmission of active risk management philosophy, focused on risk diversification and scale control during the economic downturn, comprehensively enhanced various risk management capabilities, and achieved overall controllability under the premise of the sustainable development of supporting business.

(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 strengthened risk policy guidance, established an active risk management philosophy, conducted transmission of differentiated management standards, continued to deepen the adjustment of existing customer structure, strictly controlled new customer risks, implemented the optimisation of the Bank's asset allocation in every branches, stabilising and making the asset quality controllable. The Bank promoted the construction of intelligent risk control, strengthened the data collection inside and outside the Bank, applied big data and artificial intelligence for customer stratification and risk management, 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 gradually improved the risk prevention and control, standardisation of business auditing, established a discussion mechanism for retail normalisation rules, improved approval rules of retail centralisation, and increased efficiency of risk control. The Bank promoted the integration and application of risk management tools with the focus of customers on the basis of internal ratings with the supplement of collateral valuation stratification and risk pricing, matching management strategies of differentiated credit risk. The Bank strengthened risk monitoring and control of asset quality, established risk management and control mechanisms such as dynamic authorisation, risk suspension and resumption and risk limit, and link to apply the compliance accountability mechanism to enhance risk deterrence. The Bank established a large-scale independent investigation mechanism for customer risk, timely understood the risk information, arranged the list of problematic customers, determined control and treatment measures on a case-by-case basis, and improved the management capabilities of problematic customers. The Bank conducted big data risk monitoring and analysis, introduced credit information, regulatory materials and third-party information, enriched early warning signals, improved early warning rules and system functions, conducted multi-dimensional risk analysis, laying the foundation for differentiated hierarchical management strategies.

During the Reporting Period, the Bank continued to strengthen the construction of the collateral risk valuation system and the value assessment of collateral risk. The Bank relied on the internal valuation management of collateral to enhance the Bank's capability of asset risk mitigation. The Bank continued to promote the construction of collateral assessment models and relied on massive data acquisition and internal evaluation cases to improve the internal model of commercial real estate. The Bank strengthened the application of artificial intelligence and big data in the field of collateral valuation, enhanced data acquisition capabilities, and improved the speed of data iteration. The Bank further promoted the application of tiered management of collateral, providing support for the realisation of withdraw of inferior property, differentiated pricing, and differentiated authorisation.

(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 and meet other capital requirements for normal operation. The Bank attaches great importance to the management of liquidity risk. The Bank actively adjusted the structure of assets and liabilities, strictly controlled the dependence of inter-bank financing, strengthened the mismatch management of maturity, rationally set the indicators of liquidity gap, and consolidated the foundation of liquidity risk management.

During the Reporting Period, in response to the changes in external market condition, the Bank adopted prudential, effective liquidity risk management measures according to market environment and liquidity of the Bank. The Bank maintained sufficient liquidity, appropriately increased the allocation of quality liquid assets, ensured sufficient qualified and quality liquid assets, expanded and implemented general deposit liabilities, actively strengthened peer-to-peer communication, and arranged for the risk stacking that may be brought by market changes in advance. The Bank paid close attention to fluctuations in market liquidity, conducted forward-looking risk measurement of liquidity, continued to optimise the test plan for the liquidity risk stress, improved the accuracy of the shortest survival period measurement, with focus on the 90-day liquidity gap of the Company. The Bank continued to improve various limit standards and measurement plans for the liquidity risk, and clarified control objectives and management requirements to cope with the new situation of liquidity 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 comprehensively promoted the reliability of the measurement of market risks, strengthened the seriousness of quota management, and continued to improve the management system of market risk.

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. The Bank further defined the classification standards for trading accounts and bank accounts. 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, gap analysis, duration analysis, PVBP analysis, historical VaR and stress VaR calculations to market risk and position with reference to actual situation, effectively keeping the market risks of the Bank and its overall interest rate level within the acceptable scope.

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 the Bank's 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. The Bank adopted the exchange rate of the open market for estimations. The Bank sets transaction caps, stop-loss limits and exposure limits to manage exchange rate risk arising from our foreign exchange business. The Bank closely monitors and timely assesses the impacts of the changes in foreign and domestic market environment on the exchange rate business of the Bank. It adopted foreign exchange gap analysis and VaR analysis, among others, for foreign currencies, set up thresholds accordingly and conducted daily monitoring, management and control. The Bank proactively responded to new trends in foreign exchange market in a market-oriented approach. The Bank also continues to optimise the structure of monetary assets, strengthens the establishment of foreign exchange transaction capabilities, enhances risk management means, effectively maintains the risk-benefit balance of the overall foreign exchange assets, improves the effectiveness and pertinence of risk management and actively prevents and responds to exchange rate risk. The Bank conducted overall risk measurement and control over exchange rate risk, conducted regular monitoring of various risk indicators and limit values and ensured its overall safety of exchange rate risk.

(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 reputational 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 operational risk in high-risk areas.

During the Reporting Period, the Bank further promoted the substantive application of the three major management tools of operational risk. Through updating the process management matrix, the Bank laid the foundation for RCSA for the Reporting Period. The Bank prevented design flaws of internal control measures by organising RCSA assessment on new products, new businesses, and processes undergoing significant changes, and carrying out triggering assessment for critical focus areas, thereby guaranteeing effective mitigation of operational risks. Through implementing the re-examination of key risk indicators (KRI) and expanding the monitoring scope of KRI indicators, the Bank improved the risk sensitivity of KRI indicators. It continued to promote the loss data collection (LDC) and expanded the source of loss data through multiple channels, so as to strengthen the ability to identify operational risk loss events.

(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 our usage of information technology.

The Bank has included management of information technology risk into its general risk management system and formed reasonably mature management strategies for information technology risks. Subject to needs of the internal management, the Bank further subdivided the management process of information technology into eight primary processes, namely general-purpose computer control, development and change management, outsourcing management, information security management, information technology risk management, business continuity management, operation management and information technology planning and governance, so as to more comprehensively identify the corresponding points of risk and control. During the Reporting Period, the switch work of the Bank's same-city mutual backup data centres of the core system was completed, and several rounds of drills were implemented. At the same time, the Bank carried out a risk assessment on information technology security management and a comprehensive impact analysis on the Bank's business, and organised project emergency continuity drills for the Bank's deposit and withdrawal business and related counter business, thereby further improving the emergency response ability for business suspension. Meanwhile, the Bank set up an information technology outsource management team in which Member of the Science and Technology Development Department, Financial Accounting Department, and Risk Management Department further enhanced the access and exit management of outsourcing contractors, perform follow-up monitoring of outsource service quality as well as service quality assessment so as to improve the Bank's outsource risk management ability.

(VI) Anti-money Laundering Management

The Bank has upheld the "risk-based" management philosophy and incorporated risk management of money laundering into a comprehensive risk management system, paid attention to regulatory policy guidance, and thoroughly complied with various laws and regulations of anti-money laundering. During the Reporting Period, combining business development with the needs for risk management, the Bank upgraded and reformed the anti-money laundering monitoring system, improved the management structure and operation mechanism of money laundering risk, continuously improve the inspection and supervision system of anti-money laundering, further strengthened the daily supervision and assessment of anti-money laundering, and enhanced special training and publicity of anti-money laundering, continued to improve the ability of employees in the jurisdiction of the organisation in customer identification, customer identity data and transaction record preservation, large transactions and suspicious transaction reports, etc. The Bank has actively assisted in anti-money laundering investigations initiated by the regulatory authorities, effectively fulfilled the anti-money laundering obligations of financial institution. The Bank strived to create an anti-money laundering atmosphere that is law-abiding to all people, effectively guarding against the risks of money laundering and terrorist financing.

(VII) 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 has 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 continued 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. The Bank strived to realise the foundation of its compliance management, actively optimised the compliance system and mechanism construction, improved the compliance management policy standard, and enhanced the compliance awareness of the Bank to strictly prevent and effectively mitigate compliance risk. By leveraging its professional advantages, and emphasising on the substance of risks, and through pre-involved business research and development, it strongly supported and promoted business innovation and sound development of the Bank. By participating in various external supervision examinations, such as the "consolidating the fruit of resolving chaos and promoting compliance", and by firmly rectifying problems identified during such examinations, it strengthened the implementation of accountability and improved its compliance risk management system. By enhancing the studies of regulatory policies and laws and regulations, it provided high-quality comprehensive legal compliance services. The Bank continued to strengthen incident prevention and control works, actively promoted consumer rights protection, and enhanced the compliance risk prevention capability. The Bank improved the construction of internal control mechanism for anti-money laundering system by enhancing anti-money laundering management and expanding channels for monitoring money laundering. By implementing regular compliance education and training, it served to enhance the Bank's compliance professional standards.

X. Internal Control and Internal Audit

(I) Internal Control

Pursuant to the laws and regulations including the Commercial Banking Law of the People's Republic of China, the Basic Internal Control Norms for Enterprises and its relevant guidelines and the Guidelines for Internal Control of Commercial Banks issued by the CBRC, the Company has implemented the requirement on internal control normative system for enterprises and established an internal control system covering the five major aspects, namely, internal control environment, risk assessment, control activities, information and communication, and internal supervision. This provides a comprehensive process control over various operational management activities of the Company. As the decision-making body of the Bank, the Board is responsible for the establishment and effective implementation of internal control; the management at various levels is responsible for coordinating the establishment and implementation of internal control and its daily operation; the various branch organisations 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 different levels and the independent internal audit department 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, clear responsibilities and reporting relationships.

During the Reporting Period, the Company implemented series of works on improving and optimising internal control, primarily including the following: firstly, the Company improved its risk evaluation system. The Company continued to enhance the comprehensive risk management system and further strengthened the identification, measurement, monitoring and assessment of various risks. Secondly, the Company strengthened the use of technology and continued its works on the establishment of automatic internal control. It has optimised the mechanism for the establishment of automatic internal control, and incorporated the rationalised and optimised internal control points into its key information systems. Through strengthening the automation rate of internal control at different processes, the Company further realised the automation and normalisation of the internal control system, thereby ensuring the implementation of the results of internal control system establishment under an informatised environment. Thirdly, the Company strengthened its system establishment. Based on regulatory requirements, existing business and reform of organisation structure, the Company promptly streamlined and improved its systems, and standardised and guided the commencement of various businesses. The Company also optimised its system evaluation mechanism, and improved the standardisation of system management. Fourthly, the Company carried out special inspection including "consolidating the fruit of resolving chaos and promoting compliance" and "cash loan" so as to take the initiative to discover problems. The Company pushed forward the rectification of problems and strengthened accountability in order to enhance the quality and efficiency of internal control. Fifthly, the Company, through measures such as antifraud self-evaluation and anti-fraud specific checks, investigated into its deficiencies and inadequacies, in order to deepen its anti-fraud prevention cautiously and to ensure the stable operation for the Bank. The Board and the senior management of the Bank put great emphasis on internal control training, consumer right protection and anti-money laundering management etc. in order to make sure all staff of the Bank to understand the importance of internal control, be familiar with the duty requirements for different positions, and understand and be in control of the key internal control points, thus building up an environment conducive to excellent internal control across 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-related practices", thereby building a corporate culture of "compliance with high efficiency".

(II) Internal Audit

The Bank 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 an Audit Committee, which is accountable to the Board, whereas the Internal Audit Department, as the Bank's department for internal 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 intervention by any 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, based on the external supervision situation and the requirements of Board of Directors and Audit Committee for internal audit work, the Internal Audit Department comprehensively considered the most prominent financial industry risks in the current banking industry and the current situation of the Group's operation and management, and complied with the current regulatory situation and the new needs of the Bank's business development. Based on the Group and oriented by prevention and mitigation of risks, the Bank adhered to the risk and problem orientation, strengthened the construction of the digitalised audit platform, focused on the key aspects of the Bank's annual work, seized the key process in business management, effectively promoted the audit projects of key regions, key institutions, key risks, key businesses, and key personnel, and effectively performed the audit supervision and evaluation function to bring about value-added benefits from audit.

XI. Prospects

At present, Sino-US trade frictions have intensified. International economic and trade relations are ever-changing, and there are concerns over the changes amid the stable economic performance. Meanwhile, it is observed that the economic work of China will adhere to the general principle of making progress while keeping performance stable, and will closely focus on the principle of "consolidating, enhancing, upgrading and smoothing". With the comprehensive completion of the "six stabilisation works" on "stabilising employment, finance, foreign trade, foreign capital, investment and expectation" to promote the sustainable healthy economic development, new opportunities are brought to the business development of the Bank: Firstly, the continued implementation of the active fiscal policy and prudent monetary policy create a favourable market environment for the Bank's operations. Secondly, with the financial supply side structural reform, financial institutions will continue to strengthen risk management and control and draw much more policy support at the same time for the increase in the medium and long-term financing of the manufacturing sector and private enterprises. Thirdly, with the further effective opening up of the rural market and the consumer market, the business of agricultural finance, consumer finance and others will have the scope for further development. Fourthly, with stable investment in the manufacturing sector and the implementation of infrastructure construction policies such as projects on remedying shortcomings, the regional economic vitality and financing needs are expected to achieve steady progress. Fifthly, with the implementation of the important measures to increase the opening up, the Bank's advantages in Sino-Russia financial services will be further realised. Sixthly, with the deployment of the Northeast Revitalisation, the Bank will further enhance the value contribution in the region on the basis of actively participating in the support of the real economy.

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 take "overall promotion" as the work theme of the year. The Bank will have its layout in advance, seize opportunities, cope in calm manner, and develop steadily. This year marks the 70th anniversary of the founding of New China. This is the critical year of the new three-year strategy of the Bank. This is also a key year for transformation and development. On the basis of consolidating the operating results, the Bank will strengthen its confidence and take advantage of the momentum to ensure the completion of the Group's objectives of its strategic planning with high quality and efficiency so that it can spare no effort to have a new victory in business operations.

Changes in Shares 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 has a registered capital of RMB10,995,599,553 in total.

II. Statement of Changes in Shares

Unit: Shares

	1 January 2019		Increase/decrease during the Reporting Period (+/-)					30 June 2019	
	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%	–	–	–	–	–	7,908,539,178	71.92%
Including: (1) Shares held by state-owned enterprises	2,199,089,800	20.00%	–	–	–	–	–	2,199,089,800	20.00%
(2) Shares held by private enterprises	5,709,449,378	51.92%	–	–	–	–	–	5,709,449,378	51.92%
2. Non-listed shares held by natural persons	63,490,375	0.58%	–	–	–	–	–	63,490,375	0.58%
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 32 state-owned corporate shareholders, including Harbin Economic Development, Harbin Hadong Investment Co., Ltd. (哈爾濱市哈東投資有限責任公司), Harbin Industrial Investment Group Co., Ltd. (哈爾濱工業投資集團有限責任公司), 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 Non Overseas-listed Shares

	Name of Shareholder	Nature of Shareholder	Number of Shares Held (Shares)	Shareholding Percentage (%)[1]	Number of Shares Pledged[2]	Type of Shares
1	Harbin Economic Development and Investment Company	State-owned	2,160,507,748	19.65%	–	Non overseas-Listed shares
2	Harbin Kechuang Xingye Investment Company Limited	Private enterprise	720,262,554	6.55%	–	Non overseas-Listed shares
3	Heilongjiang Keruan Software Technologies Company Limited	Private enterprise	719,816,019	6.55%	–	Non overseas-Listed shares
4	Heilongjiang Xinyongsheng Trading Company Limited	Private enterprise	639,804,806	5.82%	–	Non overseas-Listed shares
5	Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	Private enterprise	572,253,048	5.20%	–	Non overseas-Listed shares
6	Heilongjiang Tuokai Economic and Trading Company Limited	Private enterprise	522,447,109	4.75%	–	Non overseas-Listed shares
7	Heilongjiang Tongda Investment Co., Ltd.	Private enterprise	377,620,219	3.43%	–	Non overseas-Listed shares
8	Harbin Jubang Investment Co., Ltd.	Private enterprise	301,170,095	2.74%	–	Non overseas-Listed shares
9	Beijing Xinrun Investment Co., Ltd.	Private enterprise	255,418,587	2.32%	–	Non overseas-Listed shares
10	Dongning Lizhi Architecture and Decoration Engineering Company Limited	Private enterprise	199,010,054	1.81%	194,982,174	Non overseas-Listed shares

Notes:

1 The above shareholding percentage of non-overseas listed shares is calculated based on the total share capital of the Company of 10,995,599,553 shares as at 30 June 2019.

2 The above pledged or frozen shares held by the shareholder is subject to pledge only and not judicial moratorium.

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

As at 30 June 2019, to the knowledge of the Directors, 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 Economic Development and Investment Company[1]	Beneficial owner	2,160,507,748	27.10%	19.65%
Harbin Kechuang Xingye Investment Company Limited[2]	Beneficial owner	720,262,554	9.03%	6.55%
Heilongjiang Keruan Software Technologies Company Limited[3]	Beneficial owner	719,816,019	9.03%	6.55%
Heilongjiang Xinyongsheng Trading Company Limited[4]	Beneficial owner	639,804,806	8.03%	5.82%
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited[5]	Beneficial owner	572,253,048	7.18%	5.20%
Heilongjiang Tuokai Economic and Trading Company Limited[6]	Beneficial owner	522,447,109	6.55%	4.75%

Notes:

1. Harbin Economic Development is wholly owned by Harbin Municipal Finance Bureau. Harbin Economic Development was established on 22 August 1992 with registered capital of RMB2,287,522,009, and Mr. Zhang Taoxuan 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. Harbin Kechuang Xingye Investment Company Limited is owned as to 93.92% by Harbin Shundaheng Investment Company Limited (哈爾濱順達恒投資有限公司), which in turn is owned as to 46.4%, 33% and 20.6% by three natural persons, namely Li Xu (李旭), Li Caixian (李彩先) and Wang Chuntian (王春田), respectively. Each of the above entities/persons is deemed to have interests in the same number of shares as Harbin Kechuang Xingye Investment Company Limited. Harbin Kechuang Xingye Investment Company Limited was established on 31 August 2004 with registered capital of RMB1,060.5 million, and Mr. Liu Linan (劉李男) being the legal representative. The business scope of Harbin Kechuang Xingye Investment Company Limited is to provide corporate investment and consultation services such as management, merger and acquisition, asset restructuring, asset custody and finance leasing.

3. Heilongjiang Keruan Software Technologies Company Limited is owned as to 95.83% by Dalian Yujiaxin Technology Company Limited (大連宇嘉信科技有限公司), which in turn is owned as to 60% and 40% by two natural persons, namely Liang Yifeng (梁乙峰) and Diao Xiaoxi (刁小熙), respectively. Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Keruan Software Technologies Company Limited. Heilongjiang Keruan Software Technologies Company Limited was established on 22 September 2000 with registered capital of RMB1.08 billion and Mr. Liang Yifeng being the legal representative. The business scope of Heilongjiang Keruan Software Technologies Company Limited is to provide services in relation to computer software and hardware technology development, consultation, transfer, support and training, marketing of developed products, sale of computer software and hardware and external equipment, communication equipment (excluding radio transmission equipment), integration of computer system, development of multimedia technology and repair of computer.
4. Heilongjiang Xinyongsheng Trading Company Limited is owned as to 95.4% by Beijing Chengxinfenghui Technology and Trading Company Limited (北京誠信豐匯科貿有限公司), which in turn is owned as to 60% and 40% by two natural persons, namely Liu Kun (劉坤) and Zhao Yonghe (趙永和), respectively. Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Xinyongsheng Trading Company Limited. Heilongjiang Xinyongsheng Trading Company Limited was established on 26 September 2000 with registered capital of RMB1 billion and Mr. Liu Kun being the legal representative. The business scope of Heilongjiang Xinyongsheng Trading Company Limited is sale of electronic products and communication equipment (excluding radio transmission equipment), construction materials, eco-friendly equipment, computer software and hardware and external equipment and biochemical products (excluding dangerous goods and regulated chemicals).
5. Heilongjiang Tiandi Yuanyuan Network Technology Company Limited is owned as to 93.61% by Beijing Huifutong International Investment Company Limited (北京匯富通國際投資有限公司), which in turn is owned as to 80% by a natural person, namely Dong Yan (董雁). Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Tiandi Yuanyuan Network Technology Company Limited. Heilongjiang Tiandi Yuanyuan Network Technology Company Limited was established on 11 July 2000 with registered capital of RMB970 million and Mr. Wu Degang (吳德剛) being the legal representative. The business scope of Heilongjiang Tiandi Yuanyuan Network Technology Company Limited is provision of networking technology development, training and support, sale of developed relevant products, electronic products and communication equipment (excluding radio transmission equipment), construction materials, eco-friendly equipment, computer software and hardware and external equipment, undertaking of computer network system integration services and multimedia content development.
6. Heilongjiang Tuokai Economic and Trading Company Limited is owned as to 95.27% by Beijing Tailonghuasheng Technology Company Limited (北京泰隆華勝科技有限公司), which in turn is owned as to 87.5% by Beijing Jieshengtiancheng Trading Company Limited (北京傑勝天成貿易有限公司), which in turn is owned as to 70% by a non-executive Director of the Company, namely Chen Danyang (陳丹陽) as a natural person. Each of the above entities/persons is deemed to have interests in the same number of shares as Heilongjiang Tuokai Economic and Trading Company Limited. Heilongjiang Tuokai Economic and Trading Company Limited was established on 21 September 2000 with registered capital of RMB1 billion and Mr. Chen Zhonghua (陳中華) being the legal representative. The business scope of Heilongjiang Tuokai Economic and Trading Company Limited is sale of electronic products, computer software and hardware and external equipment, eco-friendly equipment, daily groceries, office utensils, office automation machines, knitwear, hardware and electrical appliances, handcrafts (excluding gold and silver jewelry), communication equipment (excluding radio transmission equipment), biochemical products (excluding dangerous goods and regulated chemicals) and instruments and gauges.

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.	Beneficial owner	486,702,000	16.10%	4.43%
CITIC Capital Holdings Limited	Interest of controlled corporation[2]	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 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.
2. CITIC Capital Holdings Limited held the interests in the relevant number of shares through its controlled corporations.

Save as disclosed above, to the knowledge of the Directors, none of other persons (excluding the Directors, Supervisors and the chief executive of the Bank) 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 2019.

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

As at the end of the Reporting Period, Harbin Economic Development was a substantial shareholder (as defined under the Hong Kong Listing Rules) holding more than 10% of the shares of the Company.

As at 30 June 2019, Harbin Economic Development, the single largest shareholder of the Company, held 19.65% of the total issued shares of the Company. According to the Business Licence (Unified Social Credit Code: 91230100424004064C(1-1)) issued by the Market Supervision and Administration Bureau of Harbin on 30 May 2012, and the Amendments to the Articles of Association of Harbin Economic Development and Investment Company made on 19 September 2011, Harbin Economic Development is a validly subsisting economic entity under the ownership by the whole people with the Harbin Municipal Finance Bureau as its sole shareholder.

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

As at 30 June 2019, no share of a shareholder with shareholding of 5% or more of the Company were pledged or judicially frozen.

VI. Controlling Shareholders and Actual Controllers

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 2019.

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 2019 to the date of publication 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 of the Company

During the Reporting Period and as at the date of publication of this report, the Directors of the Company were/are as follows:

Directors

Name	Gender	Age	Position	Term of office
Guo Zhiwen	Male	52	Executive Director and Chairman of the Board	2018.5.18-the conclusion of the 2020 annual general meeting
Lyu Tianjun	Male	52	Executive Director and President	2018.7.6-the conclusion of the 2020 annual general meeting
Sun Feixia	Female	49	Executive Director and Vice Chairman of the Board	2018.7.6-the conclusion of the 2020 annual general meeting
Zhang Taoxuan	Male	57	Non-Executive Director	2018.5.18-the conclusion of the 2020 annual general meeting
Ma Pao-Lin	Male	57	Non-Executive Director	2018.5.18-the conclusion of the 2020 annual general meeting
Peng Xiaodong	Male	48	Non-Executive Director	2018.5.18-the conclusion of the 2020 annual general meeting
Chen Danyang	Male	46	Non-Executive Director	2018.5.18-the conclusion of the 2020 annual general meeting
Wan Kam To	Male	66	Independent Non-Executive Director	2018.5.18-the conclusion of the 2020 annual general meeting
Kong Siu Chee	Male	72	Independent Non-Executive Director	2018.5.18-the conclusion of the 2020 annual general meeting
Ma Yongqiang	Male	43	Independent Non-Executive Director	2018.7.6-the conclusion of the 2020 annual general meeting
Zhang Zheng	Male	47	Independent Non-Executive Director	2018.7.6-the conclusion of the 2020 annual general meeting
Sun Yan	Male	50	Independent Non-Executive Director	2018.7.6-the conclusion of the 2020 annual general meeting
Hou Bojian	Male	60	Independent Non-Executive Director	2019.9.2-the conclusion of the 2020 annual general meeting

Supervisors

On 17 May 2019, the Proposal on the Change in External Supervisors of the Seventh Session of the Board of Supervisors was considered and approved at the 2018 annual general meeting of the Company. Ms. Li Zhaohua and Mr. Sun Yi were appointed as external Supervisors of the seventh session of the Board of Supervisors and Ms. Bai Fan and Ms. Meng Rongfang ceased to be Supervisors on the same date.

Name	Gender	Age	Position	Term of office
Deng Xinquan	Male	54	Chairman of the Board of Supervisors and Employee Representative Supervisor	2018.5.18-the conclusion of the 2020 annual general meeting
Luo Zhonglin	Male	54	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	40	Shareholder Representative Supervisor	2018.5.18-the conclusion of the 2020 annual general meeting
Li Dong	Male	60	External Supervisor	2018.5.18-the conclusion of the 2020 annual general meeting
Bai Fan (retired on 17 May 2019)	Female	45	External Supervisor	2018.5.18-2019.5.17
Meng Rongfang (retired on 17 May 2019)	Female	53	External Supervisor	2018.5.18-2019.5.17
Li Zhaohua (newly appointed on 17 May 2019)	Female	53	External Supervisor	2019.5.17-the conclusion of the 2020 annual general meeting
Sun Yi (newly appointed on 17 May 2019)	Male	48	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 is comprised of:

Name	Gender	Age	Position	Term of office
Lyu Tianjun	Male	52	Executive Director and President	2018.7-the conclusion of the 2020 annual general meeting
Sun Feixia	Female	49	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	49	Executive Vice President	2018.5-the conclusion of the 2020 annual general meeting
Wang Tao	Male	43	Assistant to the President	2018.7-the conclusion of the 2020 annual general meeting
Yang Dazhi	Male	42	Assistant to the President	2018.7-the conclusion of the 2020 annual general meeting
Zhou Jie	Female	44	Assistant to the President	2018.7-the conclusion of the 2020 annual general meeting
He Dongbo	Male	40	Assistant to the President	2018.7-the conclusion of the 2020 annual general meeting
Wang Ying	Female	48	Chief Audit Officer	2018.7-the conclusion of the 2020 annual general meeting
Gong Tiemin	Male	43	Chief Risk Officer	2018.8-the conclusion of the 2020 annual general meeting
Qi Yilei	Male	47	Chief Credit Approval Officer	2018.7-the conclusion of the 2020 annual general meeting
Liang Yong	Male	47	Chief Information Officer	2018.10-the conclusion of the 2020 annual general meeting

Changes in Information of Directors, Supervisors and Chief Executive

Pursuant to the Proposal on Establishment of Consumer Rights Protection Committee under the Board which was considered and approved at the seventh meeting of the seventh session of the Board held on 21 March 2019, the Board elected Mr. Lyu Tianjun, Ms. Sun Feixia, Mr. Sun Yan and Mr. Zhang Zheng as members of Consumer Rights Protection Committee at the eighth meeting of the seventh session of the Board held on 17 May 2019, of which Mr. Zhang Zheng is the chairman of the committee, with a term of office from the effective date of the Board resolution (i.e. 17 May 2019) to the expiry date of the term of office of the seventh session of the Board.

The biographical details of Mr. Liu Mo, Supervisor of the Company, have been changed as follows:

Mr. Liu Mo, aged 40, has been a shareholder representative Supervisor of the Company since May 2018. Mr. Liu has worked in CITIC Capital Holdings Limited since May 2010. Mr. Liu is currently a director of the proprietary investment division. Mr. Liu was a deputy manager, manager, senior manager, associate director and director of finance division. Mr. Liu was an auditor, senior auditor and deputy manager of the finance division of Shenzhen branch of Ernst & Young Hua Ming LLP from September 2002 to May 2009, specialising in the bank auditing. Mr. Liu also worked at Shenzhen Xinhua Bookstore and was in charge of marketing from July 2001 to September 2002. Mr. Liu graduated from the Renmin University of China with a Bachelor's degree in Economics in July 2001.

The biographical details of Mr. Hou Bojian, Director of the Company, have been changed as follows:

Mr. Hou Bojian (侯伯堅) (former name: Hou Bojian (侯柏堅)), aged 60, with Chinese Hong Kong nationality, has been an independent non-executive Director of the Company since September 2019. Mr. Hou is a holder of the professional qualification certificate of Hong Kong securities industry and the fund manager qualification certificate of the Asset Management Association of China. Mr. Hou has been a managing director of Hong Kong HT Strategy Ltd. since October 2011, a director of Shanghai Tonglian Financial Services Co., Ltd. (上海通聯金融服務有限公司) since August 2011, a supervisor of Shanghai Rensheng Import and Export Co., Ltd. (上海仁生進出口有限公司) since August 2011, a director of Guangzhou Renhui Investment Co., Ltd. (廣州仁匯投資有限公司) since December 2010, a director of Guangzhou Renhui Trade Development Co., Ltd. (廣州仁輝貿易發展有限公司) since April 2009, and the deputy chief executive officer of Hong Kong Ren Tong Group Limited (香港仁通集團有限公司) since August 2008. Previously, Mr. Hou served as a director of Shenzhen Zhongzhanxin Technology Fund Investment Partnership (深圳中展信科技基金投資合夥企業) from December 2015 to February 2017, an executive director of Full Apex (Holdings) Limited (a company listed on the Singapore Exchange Securities Trading Limited, stock code: BTY) from April 2005 to August 2008. From January 2001 to April 2005, he held several positions, including a senior consultant of Guangzhou Tiancheng Certified Public Accountants, a financial adviser of Guangzhou Full Apex Group and its member companies and a financial adviser of Hong Kong Ren Tong Group (香港仁通集團). Mr. Hou served as an executive director, vice general manager and chief financial officer of Guangdong Investment Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00270) from July 1992 to January 2001. From 1992 to 2001, he held several positions during the same period, including a non-executive director of Guangdong Land Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00124, originally known as Guangdong Brewery Holdings Limited), a non-executive director of Guangdong Tannery Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01058), a director of Hi Sun Technology (China) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00818, originally known as Guangdong Building Industries Limited), an executive director of Guangnan (Holdings) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01203), the chairman of the supervisory committee of Guangdong Teem (Holdings) Limited, a director of Hong Kong Baiyue Finance Limited, a director of Hong Kong Citybus Ltd. (香港城市巴士有限公司), a director of Hong Kong Far East Landfill Technologies Limited (香港遠東垃圾堆填有限公司), a director and chief financial officer of Hong Kong Guangdong Transportation Co., Ltd. (香港廣東交通有限公司), a director of Hong Kong Guangdong Electricity Co., Ltd. (香港廣東電力有限公司), a director of Wharney Guang Dong Hotel Hong Kong, a director of Guangdong Hotel Hong Kong, and a deputy managing director of Hong Kong Bidacheng Investment Co., Ltd. (香港必達成投資有限公司). Mr. Hou served as a vice general manager of the finance department and the general manager of the accounting department of Guangdong Holdings Group (香港粵海集團) from May 1989 to July 1992, the chief financial officer of Shenzhen Guangdong Hotel Co., Ltd. (深圳粵海酒店有限公司) from July 1988 to May 1989, and a technician at Guangdong Yuedong Diesel Engine Factory (廣東粵東柴油機廠) from 1976 to 1981. Mr. Hou obtained his master's degree in economics from Jinan University in July 1988, and was granted the title of accountant by Guangdong accountant professional title appraisal panel in October 1992.

Save as disclosed above, as at the date of publication of this report, the Directors, Supervisors and chief executive confirmed 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, as at 30 June 2019, none of the Directors, Supervisors or the chief executive of the Company or their respective associates had 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 registered in the register as required to be kept 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 (%)
Chen Danyang	Non-executive Director	Interest of controlled corporation[1]	Domestic Shares	522,447,109	4.75
Sun Feixia	Executive Director	Beneficial owner	Domestic Shares	378,907	0.003
Deng Xinquan	Supervisor	Beneficial owner	Domestic Shares	1,205	0.00001

Note：

1. Chen Danyang, the non-executive Director, holds interests in the Domestic Shares of the Company through a series of controlled corporations. Please refer to Note 6 on Page 71 of this report for details of such interest.

Employees

(I) Personnel Composition

As at 30 June 2019, the Company had 6,703 employees, among which 951 were headquarters staff, accounting for 14.19% of the total, and 2,319 were staff of Harbin branches, accounting for 34.60% of the total. Regarding age composition, the average age of employees of the Company was 35.24, among which 1,708 employees were between 25 and 30 years old, accounting for 25.48% of the total. Regarding educational background, there were 5,877 employees with bachelor degree or above in the Company, accounting for 87.68% of the total. Regarding working experience, the Company had 1,759 employees with 10 years of banking experiences, accounting for 26.24% of the total. Staff turnover rate of the Company was 1.94%. The subsidiaries of the Company had a total of 1,511 employees.

(II) Staff Training Programs

During the Reporting Period, the Bank, focusing on the work theme of "overall promotion" and the needs of the Group's current and future development, made good use of its internal and external resources. Through both online and offline channels, the Bank strengthened the comprehensive analysis of personnel training needs, the overall planning and design of training, the implementation and supervision of training projects, the feedback and evaluation of training effectiveness and other work. The Bank highlighted organisational needs, job requirements and talent needs. Through classification and stratification, targeted and precise teaching, the Bank paid attention to the transformation of training results and emphasised the creation of training value, constantly stimulating 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 2019 Staff Training Plan, the Bank focused on the training needs of staff from different levels, lines and systems with respect to job competency, professional skills improvement, leadership, influence and other aspects by arranging its middle management, assistant trainee, professional manager candidates and new employees to participate in special training programs for multi-dimensional capacity enhancement, continuing to build quality training programs. Both training completion rate and coverage rate were 100%. As at 30 June 2019, all departments of the headquarters of the Company implemented 108 training sessions in total, including 63 internal training sessions, and 45 external training sessions for selected staff of the Bank. The total attendance of the staff training sessions amounted to 2,803, and the total training hours amounted to 385.

(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 Bank's strategic objectives layer by layer, and carries out review mechanism every half year. In order to be scientific to the largest extent in staff review, 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 selection and rotation of personnel and created multiple career development paths for staffs through talents exchange and secondment for getting experience; thirdly, the Bank has created various talent cultivation plans including "Leadership" Training Program, Professional Managers Training Program to broaden the channels for career development; fourthly, by innovative training methods, the Bank has explored new mobile learning model, introduced a corporate coaching and counselling-based learning growth system, and established a new learning model combining online training camps with offline face-to-face courses; fifthly, the Bank has provided employees with relevant support to obtain relevant licences so as to promote the capacity of the staffs of the Bank; sixthly, the Bank has given full play to the staff incentive policy by effectively combining material and spiritual incentives.

(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 diversified management by region 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 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.

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 People's Republic of China, the Commercial Bank Law of the People's Republic of China 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 had adopted the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, and had met the relevant requirements of the PRC commercial bank administrative measures and corporate governance requirements and had established a sound corporate governance system. Currently, the principal corporate governance normative 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 Working Rules for the Development Strategy Committee of the Board of Directors, the Working Rules for the Risk Management and Related Transactions Control Committee of the Board of Directors, the Terms of Reference of the Audit Committee of the Board of Directors, the Terms of Reference of the Nomination and Remuneration Evaluation Committee of the Board of Directors, the Terms of Reference of the Consumer Rights Protection Committee of the Board of Directors, the Terms of Reference of the President, the Connected Transactions Administrative Measures, the Information Disclosure Administrative Measures, etc. The Board is of the opinion that, during the Reporting Period, the Bank had complied with the requirements of the Code Provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

II. Issuance of Debt Securities

(I) Previous Financial Bonds and Credit Asset-backed Securities Issuance

1. 2016 credit loan asset-backed securities

According to the resolutions of the 15th meeting of the fifth session of the Board on 1 November 2013 and the seventh meeting of the sixth session of the Board on 22 January 2016, the Board approved the issuance of the credit loan asset-backed securities of not more than RMB3.0 billion for the purpose of providing liquidity to the Company's stock assets, optimising asset structure and improving the Company's capital efficiency.

According to the Filing Notice on the 2015 First Tranche of Huijin Credit Loan Asset-backed Securities issued by the Innovative Supervision Department of the CBRC on 25 December 2015 and the Administrative Approval Decision of the People's Bank of China (Banking Market Licence [2016] No. 36) issued by the PBOC on 25 February 2016, the issuance of credit loan asset-backed securities of not more than RMB2.258 billion by the Company in the interbank bond market was approved. The Company obtained the consent and permission from the CBRC and the PBOC for the issuance of the 2016 first tranche of Huijin credit loan asset-backed securities on 16 March 2016.

The 2016 First Tranche of Huijin Credit Loan Asset-backed Securities are classified into three categories, namely Priority A, Priority B asset-backed securities and subordinated asset-backed securities with the total issuance size of RMB2,257.3070 million, among which, Priority A asset-backed securities, abbreviated as "16 Huijin 1A" (bond code: 1689059), whose issuance scale amounted to RMB1,690.05 million, with a weighted average term of 0.33 year and a coupon rate of 3.18%; Priority B asset-backed securities, abbreviated as "16 Huijin 1B" (bond code: 1689060), whose issuance scale amounted to RMB209.93 million, with a weighted average term of 1.17 year and a coupon rate of 3.5%; subordinated asset-backed securities, abbreviated as "16 Huijin 1C" (bond code: 1689061), whose issuance scale amounted to RMB357.3270 million, with a weighted average term of 1.69 year and zero coupon rate.

2. 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 permission 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).

3. 2016 financial bonds of HB Leasing

According to the resolutions of the 5th meeting of the first session of the board of directors of HB Leasing on 17 July 2015 and the 2015 first extraordinary general meeting of HB Leasing on 17 July 2015, the board of directors and the shareholders' general meeting of HB Leasing approved the Proposal on the Issuance of Financial Bonds, approving the public issuance of financial bonds of not more than RMB2.0 billion by HB Leasing in the interbank bond market in China with a term of not more than 5 years. The proceeds raised from the issuance of bonds will be used in the investment in agriculture leasing projects.

According to the Approval of the Heilongjiang Regulatory Bureau of the China Banking Regulatory Commission for Issuance of Financial Bonds by Harbin Bank Financial Leasing Co., Ltd. issued by the Heilongjiang Regulatory Bureau of the CBRC (Hei Yin Jian Fu [2015] No. 357) on 26 November 2015 and the Administrative Approval Decision of the People's Bank of China (Banking Market Licence [2016] No. 86) issued by the PBOC on 30 May 2016, the public issuance of financial bonds of not more than RMB2.0 billion by HB Leasing in the national interbank bond market was approved. HB Leasing obtained the consent and permission from the CBRC and the PBOC for the issuance of the 2016 first tranche of financial bonds (RMB1.0 billion) on 27 July 2016, which has been successfully issued.

The issuance size of the 2016 first tranche of financial bonds of HB Leasing was RMB1.0 billion with a term of 3 years, a fixed coupon rate of 3.50% accrued annually and its short name as "16 HB Leasing Bond 01" (bond code: 1622010), and its principal and interests were due for payment by 29 July 2019.

4. 2017 green financial bonds

According to the resolutions of the 8th meeting of the sixth session of the Board 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 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). 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). 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).

5. 2018 Second Tranche of financial bonds of HB Leasing

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, approving the issuance of the second tranche of financial bonds, and the submission of the proposal to the shareholders' general meeting for consideration. On 23 April 2018, the Company, Dongning Lizhi Architecture and Decoration Engineering Company 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 second extraordinary general meeting of 2018.

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, a fixed coupon rate of 5.48% accrued annually and a short name as "18 HB Leasing Bond 01" (bond code: 1822011).

(II) 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 is 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. In the planning of issue scale and before the planning of 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 by 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 delegates 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 basic term of the capital supplemental bonds shall not be less than 5 years. There will be no fixed expiry date prior to the exercise of redemption right by the Company. Interests on the capital supplemental bonds shall be payable in cash. The interest-bearing principal amount of the capital supplemental bonds shall be the aggregate value 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 by the Company.

3. According to the resolution of the 23rd meeting of the second session of the board of directors of HB Leasing on 19 April 2019 and the 2018 annual general meeting of HB Leasing on 20 June 2019, the board of directors and the shareholders' general meeting of HB Leasing approved the Proposal on the Issuance of Financial Bonds, approving the public issuance of financial bonds of not more than RMB3.5 billion 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 is accrued 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.

III. Proposed Non-Public Issuance of Offshore Preference Shares

According to the resolution of the 12th meeting of the sixth session of the Board passed on 15 December 2016, the Proposal on the Non-Public Issuance of Offshore Preference Shares was considered and approved; and the Proposal on the Non-Public Issuance of Offshore Preference Shares by the Bank was also 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, pursuant to which the Company proposed to conduct a non-public issuance of not more than 80 million offshore preference shares to raise proceeds not exceeding RMB8.0 billion or its equivalent to replenish the Company's additional tier 1 capital. Relevant matters in respect of the proposed issuance of preference shares by the Company have been disclosed in the circular of the Company dated 23 December 2016.

According to the resolution (the "**Resolution**") of the 2017 first extraordinary general meeting, the 2017 first domestic shareholders' class meeting and the 2017 first H shareholders' class meeting, the validity period of the issuance plan of the offshore preference shares (the "**Offshore Issuance Plan**") and the Resolution is 36 months from the date being considered and approved at the 2017 first extraordinary general meeting. Considering that the validity period of the Resolution would soon expire and in order to ensure the continuity and validity of the relevant work of the issuance of the offshore preference shares, the Proposal on the Extension of the Validity Period of the Resolution of Shareholders' General Meeting in respect of the Non-Public Issuance of Offshore Preference Shares was considered and approved at the 2018 annual general meeting, the 2019 first domestic shareholders' class meeting and the 2019 first H shareholders' class meeting on 17 May 2019. The extended validity period of the Resolution and the Offshore Issuance Plan was 12 months from the date being considered and approved at the 2018 annual general meeting. Meanwhile, considering that the extended validity period of the authorisation would soon expire and in order to ensure the continuity and validity of the relevant work of the issuance of the offshore preference shares, the Proposal on the Extension of the Validity Period of the Authorisation to the Board and the Persons Authorised by the Board to Deal with All Matters Relating to the Issuance of Offshore Preference Shares was considered and approved at the 2018 annual general meeting, the 2019 first domestic shareholders' class meeting and the 2019 first H shareholders' class meeting. The further extended validity period of the authorisation was 12 months from the date being approved at the 2018 annual general meeting (i.e. 17 May 2019).

The issuance of the offshore preference shares is still subject to approval by or filing with competent regulatory authorities (namely, the approval by the CBIRC or its local affiliate and the CSRC, and the filing and registration with the National Development and Reform Commission). The Bank had previously obtained the approval by the Heilongjiang Regulatory Bureau of the CBRC (the "**Approval**") and had made the relevant filing and registration with the National Development and Reform Commission (the "**Filing and Registration**") in relation to the issuance of offshore preference shares. However, the validity period of both the Approval and the Filing and Registration has been expired. Therefore, the Bank is currently in the process of reapplying for the approval by the Heilongjiang Regulatory Bureau of the CBIRC and reapplying for the Filing and Registration with the National Development and Reform Commission. The Company is working on the implementation of relevant matters regarding the non-public issuance of offshore preference shares as planned and will disclose further information and progress in due course.

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 value of the subject matters of the material pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB71 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 and 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 2019 prepared in accordance with International Financial Reporting Standards had been reviewed by Ernst & Young, who had issued an unqualified review report.

The Company's 2019 interim report and 2019 unaudited interim consolidated financial statement had been reviewed by the Audit Committee of the Board and the Board.

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 2019 was considered and approved at the 2018 annual general meeting of the Company held on 17 May 2019.

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

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

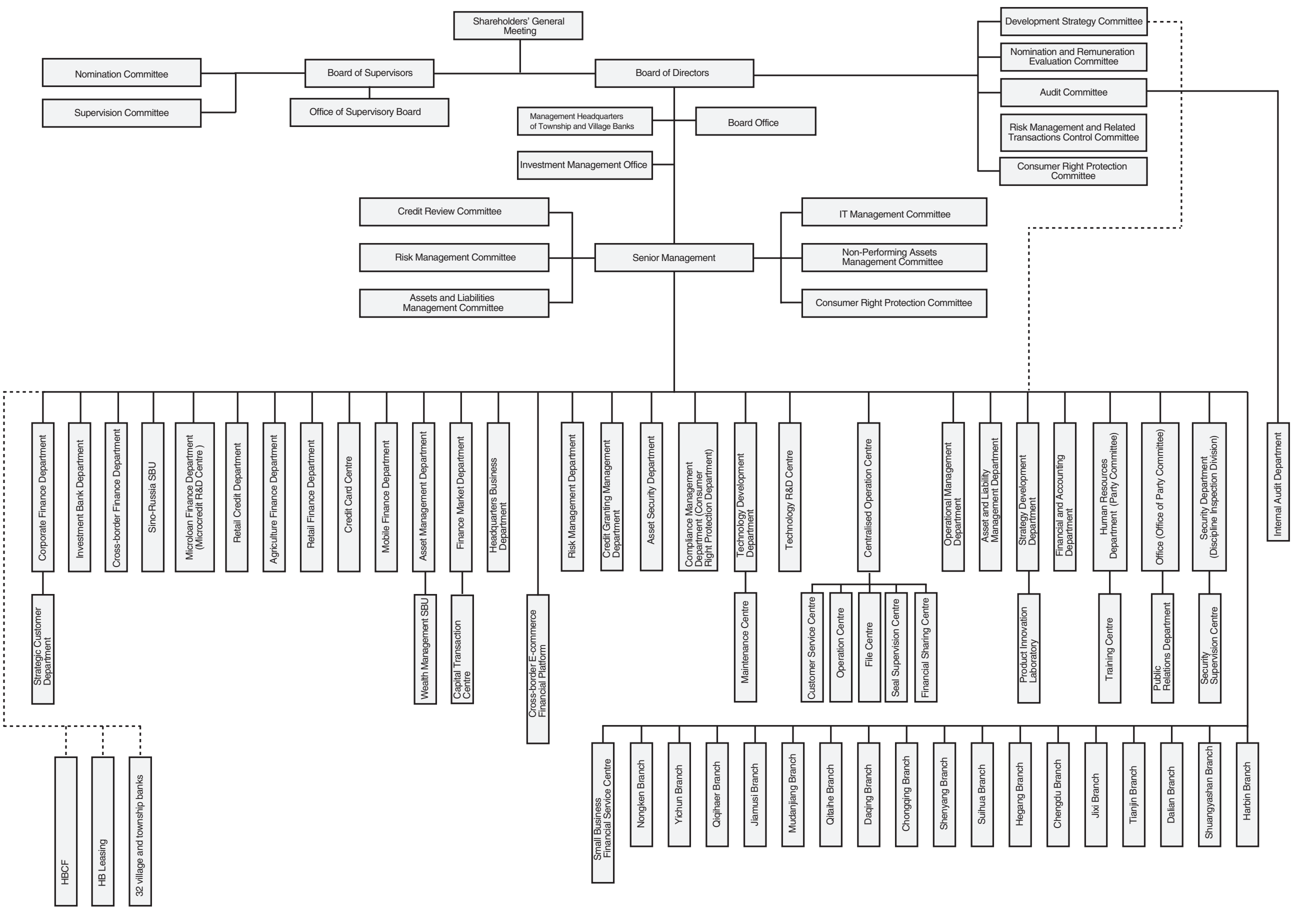
XII. Profit Distribution during the Reporting Period

The Proposal on the 2018 Profit Distribution Plan was considered and approved at the 2018 annual general meeting held on 17 May 2019, pursuant to which, the Company did not distribute any final dividend for 2018 to the shareholders. The Company does not propose to distribute any interim dividend for the six months ended 30 June 2019.

XIII. Subsequent Material Events

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

Organisation Chart



Financial Statements

I. Report on Review of Interim Financial Information

II. Unaudited Condensed Consolidated Interim Financial Statements (Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows)

III. Notes to Condensed Consolidated Interim Financial Information

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 shareholders 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 91 to 179, 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 2019 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
29 August 2019

Condensed Consolidated Statement of Income

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June 2019	2018
		Unaudited	Unaudited
Interest income	4	14,613,563	13,695,595
Interest expense	4	(9,437,841)	(8,724,538)
NET INTEREST INCOME	4	5,175,722	4,971,057
Fee and commission income	5	1,536,599	1,298,734
Fee and commission expense	5	(74,355)	(167,208)
NET FEE AND COMMISSION INCOME	5	1,462,244	1,131,526
Net trading income	6	515,938	408,026
Net gain on financial investments	7	224,182	20,901
Other operating income, net	8	46,516	6,253
OPERATING INCOME		7,424,602	6,537,763
Operating expenses	9	(1,953,696)	(1,920,709)
Credit impairment losses	10	(2,661,067)	(1,129,829)
OPERATING PROFIT		2,809,839	3,487,225
PROFIT BEFORE TAX		2,809,839	3,487,225
Income tax expense	11	(600,926)	(879,197)
PROFIT FOR THE PERIOD		2,208,913	2,608,028
Attributable to:			
Owners of the parent		2,175,654	2,605,826
Non-controlling interests		33,259	2,202
		2,208,913	2,608,028
EARNINGS PER SHARE (RMB yuan)			
Basic and diluted	13	0.20	0.24

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 2019

(Amount in thousands of RMB, unless otherwise stated)

		For the six-month period ended 30 June	
	Note	2019	2018
		Unaudited	Unaudited
Profit for the period		2,208,913	2,608,028
Other comprehensive income (after tax, net):			
Other comprehensive income attributable to owners of the parent	36	(157,209)	318,493
Items that will not be reclassified to profit or loss			
– Net gains on investments in equity instruments designated at fair value through other comprehensive income	36	–	9,479
Items that may be reclassified subsequently to profit or loss			
– Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	36	(183,964)	309,014
– Allowance for credit impairment on investments in debt instruments measured at fair value through other comprehensive income	36	26,755	–
Subtotal of other comprehensive income for the period, net of tax		(157,209)	318,493
Total comprehensive income for the period		2,051,704	2,926,521
Total comprehensive income attributable to:			
Owners of the parent		2,018,445	2,924,319
Non-controlling interests		33,259	2,202
Total		2,051,704	2,926,521

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

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

(Amount in thousands of RMB, unless otherwise stated)

	Note	As at 30 June 2019	As at 31 December 2018
		Unaudited	Audited
ASSETS			
Cash and balances with the central bank	14	83,920,902	75,808,679
Due from banks and other financial institutions	15	6,516,909	21,333,475
Reverse repurchase agreements	16	–	10,856,196
Loans and advances to customers	17	255,037,895	248,571,811
Derivative financial assets	18	11,605	16,248
Financial investments	19	234,779,241	224,878,613
– financial assets at fair value through profit or loss		44,243,227	38,388,632
– financial assets at fair value through other comprehensive income		37,276,349	34,968,319
– financial assets at amortised cost		153,259,665	151,521,662
Finance lease receivables	20	26,235,898	21,757,875
Property and equipment	21	8,910,056	8,852,940
Deferred income tax assets	22	2,488,317	2,013,730
Other assets	23	5,533,858	1,498,916
TOTAL ASSETS		623,434,681	615,588,483
LIABILITIES			
Due to the central bank	24	9,923,473	3,173,554
Borrowings from banks and other financial institutions	25	21,273,456	14,677,842
Due to banks	26	22,866,866	28,645,246
Derivative financial liabilities		10,708	14,608
Repurchase agreements	27	8,019,966	2,990,739
Due to customers	28	421,661,652	400,280,197
Income tax payable		597,140	290,973
Debt securities issued	29	83,113,676	112,766,380
Other liabilities	30	5,876,345	5,257,427
TOTAL LIABILITIES		573,343,282	568,096,966
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	10,995,600	10,995,600
Capital reserve	32	7,663,342	7,638,457
Other comprehensive income	36	194,075	351,284
Surplus reserves	33	3,425,328	3,425,328
General and regulatory reserves	34	7,513,511	7,143,548
Undistributed profits	35	18,526,171	16,720,480
		48,318,027	46,274,697
Non-controlling interests		1,773,372	1,216,820
TOTAL EQUITY		50,091,399	47,491,517
TOTAL EQUITY AND LIABILITIES		623,434,681	615,588,483

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

Guo Zhiwen	**LYU Tianjun**	**Wang Haibin**	**Chen Liyang**
Legal Representative	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 2019

(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 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	36	–	–	(157,209)	–	–	2,175,654	33,259	2,051,704
Capital contributed by owners		–	22	–	–	–	–	549,256	549,278
Profit distribution									
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.

		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 31 December 2017		10,995,600	7,636,867	(526,018)	2,896,183	6,805,820	13,452,019	1,148,447	42,408,918
Changes in accounting policy – Impact of adopting IFRS 9		–	–	24,900	–	–	(863,528)	(4,703)	(843,331)
As at 1 January 2018		10,995,600	7,636,867	(501,118)	2,896,183	6,805,820	12,588,491	1,143,744	41,565,587
Movements in this period		–	–	318,493	–	295,260	1,760,786	2,202	2,376,741
Total comprehensive income	36	–	–	318,493	–	–	2,605,826	2,202	2,926,521
Profit distribution		–	–	–	–	295,260	(845,040)	–	(549,780)
1. Appropriation to general and regulatory reserves (i)		–	–	–	–	295,260	(295,260)	–	–
2. Distribution to shareholders	35	–	–	–	–	–	(549,780)	–	(549,780)
Balance as at 30 June 2018		10,995,600	7,636,867	(182,625)	2,896,183	7,101,080	14,349,277	1,145,946	43,942,328

(i) Includes the appropriation made by subsidiaries in the amount of RMB76,667 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 2019

(Amount in thousands of RMB, unless otherwise stated)

	Audited							
	Equity attributable to owners of the parent							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
Balance as at 31 December 2017	10,995,600	7,636,867	(526,018)	2,896,183	6,805,820	13,452,019	1,148,447	42,408,918
Changes in accounting policy – Impact of adopting IFRS 9	–	–	24,900	–	–	(863,528)	(4,703)	(843,331)
As at 1 January 2018	10,995,600	7,636,867	(501,118)	2,896,183	6,805,820	12,588,491	1,143,744	41,565,587
Movements in this year	–	1,590	852,402	529,145	337,728	4,131,989	73,076	5,925,930
Total comprehensive income	–	–	852,402	–	–	5,548,642	25,766	6,426,810
Capital contributed by owners	–	–	–	–	–	–	50,000	50,000
Profit distribution	–	–	–	529,145	337,728	(1,416,653)	(1,100)	(550,880)
1. Appropriation to surplus reserves	–	–	–	529,145	–	(529,145)	–	–
2. Appropriation to general and regulatory reserves (i)	–	–	–	–	337,728	(337,728)	–	–
3. Distribution to shareholders	–	–	–	–	–	(549,780)	(1,100)	(550,880)
Other	–	1,590	–	–	–	–	(1,590)	–
Balance as at 31 December 2018	10,995,600	7,638,457	351,284	3,425,328	7,143,548	16,720,480	1,216,820	47,491,517

(i) Includes the appropriation made by subsidiaries in the amount of RMB119,135 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 2019

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2019	2018
		Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,809,839	3,487,225
Adjustments for:			
Depreciation and amortisation	9	326,529	266,052
Net trading gains	6	(515,938)	(408,026)
Dividend income		–	(1,594)
Interest income on financial investments		(4,767,131)	(5,050,303)
Impairment losses on loans and advances to customers	10	1,782,713	913,556
Impairment losses on other assets	10	878,354	216,273
Unrealised foreign exchange losses		(4,197)	36,972
Interest expense on issuance of bonds	4	1,908,411	2,484,429
Accreted interest on impaired loans		(50,237)	(63,720)
Net gains on disposal of financial investments	7	(224,182)	(19,307)
Net gains on disposal of property and equipment		(537)	(382)
		2,143,624	1,861,175
Net decrease/(increase) in operating assets:			
Due from the central bank		(515,356)	8,689,636
Due from banks and other financial institutions		2,402,886	(2,716,219)
Reverse repurchase		8,711	–
Loans and advances to customers		(8,846,434)	(14,204,050)
Finance lease receivables		(4,690,934)	(1,234,326)
Other assets		(3,596,104)	(843,878)
		(15,237,231)	(10,308,837)
Net increase/(decrease) in operating liabilities:			
Due to the central bank		6,749,919	125,810
Borrowings from banks and other financial institutions		6,595,614	(3,641,746)
Due to banks		(5,778,380)	(1,906,158)
Repurchase agreements		5,029,227	(2,412,000)
Due to customers		21,381,455	(7,658,126)
Other liabilities		620,597	1,255,609
		34,598,432	(14,236,611)
Net cash flows used in operating activities before tax		21,504,825	(22,684,273)
Income tax paid		(716,943)	(1,248,382)
Net cash flows from/(used in) operating activities		20,787,882	(23,932,655)

Condensed Consolidated Statement of Cash Flows

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019
(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2019	2018
		Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, intangible assets and other long term assets		(318,371)	(296,742)
Proceeds from disposal of property and equipment		2,389	2,722
Cash paid for investments		(1,167,689,300)	(90,568,082)
Proceeds from sale and redemption of investments		1,157,202,478	81,573,960
Return on investments		5,351,727	5,519,143
Net cash flows used in investing activities		(5,451,077)	(3,768,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		549,278	–
Proceeds from issue of other debt securities		29,453,564	86,382,042
Payment for redemption of debt securities		(58,132,295)	(66,806,987)
Interest and issue expenses paid on debt securities		(2,882,384)	(2,117,749)
Dividends paid on ordinary shares		(1,100)	–
Net cash flows (used in)/from financing activities		(31,012,937)	17,457,306
NET DECREASE IN CASH AND CASH EQUIVALENTS		(15,676,132)	(10,244,348)
Cash and cash equivalents at the beginning of the period		64,157,392	39,671,469
Effect of exchange rate changes on cash and cash equivalents		10,198	20,308
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37	48,491,458	29,447,429
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		9,461,729	8,567,843
Interest paid		(4,804,338)	(6,048,552)

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

(Amount in thousands of RMB, unless otherwise stated)

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 Yin Fu [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 2019 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
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	50,000	98.00	49,000	Village and township bank

(Amount in thousands of RMB, unless otherwise stated)

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
			%		
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
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

(Amount in thousands of RMB, unless otherwise stated)

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
			%		
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

(Amount in thousands of RMB, unless otherwise stated)

2. Basis of presentation and principal accounting policies

The unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2019 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 2018.

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 2018.

2.1 Standards, amendments and interpretations effective in 2019

On 1 January 2019, the Group adopted the following new standards, amendments and interpretations.

IFRS 16	*Leases*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
IAS 19 Amendments	*Revision, curtailment or Settlement of Planning*
IAS 28 Amendments	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to IFRSs 2015-2017 Cycle (issued in December 2017)	

In January 2016, the IASB issued IFRS 16 – *Leases*, which replaces IAS 17 and IFRIC 4. The standard requires that the classifications of finance leases and operating leases be cancelled and that lessees recognise right-of-use assets and lease liabilities for all leases (except short-term leases and low-value assets leases chosen to be accounted for using a practical expedient), and to separately recognise depreciation and interest expense. The Group have adopted IFRS 16 from 1 January 2019 and have applied the modified retroactive approach without restating comparative figures. The Group have not reassessed existing contracts and used the practical expedients to leases previously classified as operating leases before 1 January 2019. As a lessee, the Group have selected recognition exemption not to recognise the right-of-use assets and lease liabilities for the leases which the underlying asset is of low value or the contracts will end within 12 months of the date of initial application, and associated lease payments with them will be recognised as an expense on a straight-line basis over the lease term. Therefore, the 2019 financial information related to leasing presented in the interim financial report is not comparable with the financial information presented in the 2018 audit report complying with the former lease standards.

For the minimum lease payments for operating leases disclosed in the financial statements of 2018, the Group uses the incremental borrowing interest rate of 1 January 2019 to discount the lease payment, and the weighted average interest rate used by the Group is 4.79%. The reconciliation process to the opening balance for the lease liabilities as at 1 January 2019 is as follows:

Minimum lease payment for operating leases as at 31 December 2018	946,086
Less: minimum lease payment with recognition exemption – short-term leases	(9,334)
Less: minimum lease payment with recognition exemption – leases of low value assets	(126,816)
Less: the impact of incremental borrowing interest rate discount as at 1 January 2019	(99,757)
Add: other adjustments	11,175
Lease liabilities as at 1 January 2019	721,354
Right-of-use assets as at 1 January 2019	710,179

(Amount in thousands of RMB, unless otherwise stated)

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

2.1 Standards, amendments and interpretations effective in 2019 *(Continued)*

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation mainly addresses the following four areas: whether an entity separately considers the uncertainty of tax treatments; assumptions adopted by an entity to address the examination of tax treatments by taxation authorities; how an entity determines taxable profit/tax loss, tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

IAS 19 Amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for "significant market fluctuations" in the absence of a plan amendment, curtailment or settlement.

IAS 28 Amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Entities must apply the amendments retrospectively, with certain exceptions.

Annual Improvements to IFRSs 2015-2017 Cycle was issued in December 2017. Those amendments affect IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

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

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2019

		Effective for annual periods beginning on or after
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021
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

The Group is considering the impact of these standards, amendments and interpretations on the consolidated financial statements.

(Amount in thousands of RMB, unless otherwise stated)

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 2018.

4. Net interest income

	For the six-month period ended 30 June	
	2019	2018
Interest income on:		
Loans and advances to customers	8,146,201	7,414,800
– Corporate loans and advances	4,218,663	3,714,115
– Personal loans	3,924,556	3,667,304
– Discounted bills	2,982	33,381
Reverse repurchase agreements	295,451	94,306
Financial assets at fair value through other comprehensive income	719,607	804,667
Financial assets at amortised cost	4,047,524	4,245,636
Due from the central bank	366,276	392,662
Due from banks and other financial institutions	248,102	336,631
Finance lease receivables	790,402	406,893
Subtotal	14,613,563	13,695,595
Interest expense on:		
Due to customers	(6,312,379)	(5,028,829)
Repurchase agreements	(66,016)	(168,133)
Due to banks	(584,598)	(716,576)
Debt securities issued	(1,908,411)	(2,484,429)
Due to the central bank	(65,679)	(9,706)
Borrowings from banks and other financial institutions	(483,643)	(316,865)
Lease obligation	(17,115)	N/A
Subtotal	(9,437,841)	(8,724,538)
Net interest income	5,175,722	4,971,057
Including: interest income on impaired loans	50,237	63,720

(Amount in thousands of RMB, unless otherwise stated)

5. Net fee and commission income

	For the six-month period ended 30 June	
	2019	2018
FEE AND COMMISSION INCOME:		
Advisory and consulting fees	344,377	365,850
Settlement and clearing fees	46,125	78,971
Agency and custodian fees	508,068	478,521
Including: non-guaranteed wealth management products	306,655	281,159
Bank card fees	613,001	356,704
Others	25,028	18,688
Subtotal	1,536,599	1,298,734
FEE AND COMMISSION EXPENSE:		
Settlement and clearing fees	(9,551)	(14,269)
Agency fees	(2,493)	(63,915)
Bank card fees	(44,154)	(75,498)
Others	(18,157)	(13,526)
Subtotal	(74,355)	(167,208)
NET FEE AND COMMISSION INCOME	1,462,244	1,131,526

6. Net trading income/(loss)

	For the six-month period ended 30 June	
	2019	2018
Financial assets at fair value through profit or loss	516,681	406,217
Derivative financial instruments	(743)	1,809
Total	515,938	408,026

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.

(Amount in thousands of RMB, unless otherwise stated)

7. Net gain on financial investments

	For the six-month period ended 30 June	
	2019	2018
Dividends from equity investments at fair value through other comprehensive income	–	1,594
Gain on disposal of financial assets at fair value through other comprehensive income, net	224,182	19,307
Total	224,182	20,901

8. Other operating income/(loss), net

	For the six-month period ended 30 June	
	2019	2018
Net gain on sale of property and equipment	537	382
Loss from foreign exchange, net	14,395	(16,664)
Leasing income	14,967	18,328
Government grants and subsidies	14,717	2,985
Penalties and compensation	62	182
Others	1,838	1,040
Total	46,516	6,253

(Amount in thousands of RMB, unless otherwise stated)

9. Operating expenses

	For the six-month period ended 30 June	
	2019	2018
Staff costs:		
Salaries, bonuses and allowances	739,334	674,229
Social insurance	125,941	123,583
Housing fund	61,578	49,505
Staff benefits	38,848	43,080
Labour union expenditure and education costs	11,742	10,543
Early retirement benefits	–	8,099
Subtotal	977,443	909,039
General and administrative expenses	291,889	313,095
Tax and surcharges	96,584	82,325
Depreciation and amortisation	326,529	266,052
Leasing expense	46,193	148,900
Auditors' remuneration	1,415	1,400
Others	213,643	199,898
Total	1,953,696	1,920,709

10. Credit impairment losses

	For the six-month period ended 30 June	
	2019	2018
Loans and advances to customers	1,782,713	913,556
Financial investments		
– financial assets at fair value through profit or loss	35,673	–
– financial assets at amortised cost	481,263	33,115
Subtotal	516,936	33,115
Financial lease receivables	212,911	171,851
Credit commitments	(1,679)	11,307
Others	150,186	–
Total	2,661,067	1,129,829

(Amount in thousands of RMB, unless otherwise stated)

11. Income tax expense

(a) Income tax

	For the six-month period ended 30 June	
	2019	2018
Current income tax	1,023,110	1,074,048
Deferred income tax	(422,184)	(194,851)
	600,926	879,197

(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	
	2019	2018
Profit before tax	2,809,839	3,487,225
Tax at the PRC statutory income tax rate	702,460	871,807
Items not deductible for tax purposes (i)	14,516	23,901
Non-taxable income (ii)	(122,488)	(64,528)
Adjustment for income tax from prior years	5,862	44,787
Effect of different tax rates for certain subsidiaries	576	3,230
Tax expense at the Group's effective income tax rate	600,926	879,197

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, which is exempted from income tax under Chinese tax regulations.

12. Dividends

	For the six-month period ended 30 June	
	2019	2018
Dividend on ordinary shares declared and paid or proposed:		
Final dividend for 2018: did not declare any dividend** (2017: RMB0.05 per share*)	–	549,780

* Based on the total number of shares as at 31 December 2017 at RMB0.05 per share, distributed in cash.

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

13. Earnings per share

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

	For the six-month period ended 30 June	
	2019	2018
Earnings:		
Profit attributable to owners of the parent	2,175,654	2,605,826
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)	0.20	0.24

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 2019 (For the six-month period ended 30 June 2018: Nil).

(Amount in thousands of RMB, unless otherwise stated)

14. Cash and balances with the central bank

	Group	
	30 June 2019	31 December 2018
Cash and unrestricted balances with the central bank:		
Cash on hand	810,890	882,033
Mandatory reserves with the central bank (i)	39,600,856	39,090,182
Surplus reserves with the central bank (ii)	43,374,120	35,706,110
Fiscal deposits with the central bank	111,855	107,761
Subtotal	83,897,721	75,786,086
Accrued interest	23,181	22,593
Total	83,920,902	75,808,679

(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 2019 and 31 December 2018, 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.

(Amount in thousands of RMB, unless otherwise stated)

15. Due from banks and other financial institutions

	Group	
	30 June 2019	31 December 2018
Nostro accounts:		
Banks operating in Mainland China	3,047,646	12,223,404
Banks operating outside Mainland China	1,169,986	875,929
Subtotal	4,217,632	13,099,333
Accrued interest	22,527	47,107
Less: Allowance for impairment losses	(1,496)	(2,722)
Subtotal	4,238,663	13,143,718
Placements with banks and other financial institutions:		
Banks operating in Mainland China	68,746	7,750,000
Other financial institutions operating in Mainland China	1,772,000	–
Banks operating outside Mainland China	411,089	410,801
Subtotal	2,251,835	8,160,801
Accrued interest	29,994	32,926
Less: Allowance for impairment losses	(3,583)	(3,970)
Subtotal	2,278,246	8,189,757
Total	6,516,909	21,333,475

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

16. Reverse repurchase agreements

	Group	
	30 June 2019	31 December 2018
Reverse repurchase agreements analysed by counterparty:		
Banks	–	9,691,444
Other financial institutions	–	1,156,064
Subtotal	–	10,847,508
Accrued interest	–	8,711
Less: Allowance for impairment losses	–	(23)
Total	–	10,856,196
Reverse repurchase agreements analysed by collateral:		
Securities	–	10,847,508
Accrued interest	–	8,711
Less: Allowance for impairment losses	–	(23)
Total	–	10,856,196

(Amount in thousands of RMB, unless otherwise stated)

17. Loans and advances to customers

17.1 Analysis of loans and advances to customers by measurement category

	Group	
	30 June 2019	31 December 2018
Loans and advances measured at amortised cost		
– Corporate loans and advances	136,431,874	138,344,261
– Personal loans	123,763,952	115,387,827
Subtotal	260,195,826	253,732,088
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	640,945	30,609
Total loans and advances to customers	260,836,771	253,762,697
Accrued interest	2,355,527	2,278,216
Less: allowance for impairment losses	(8,154,403)	(7,469,102)
Loans and advances to customers, net	255,037,895	248,571,811

17.2 Analysis of loans and advances to customers by industry, collateral type and analysis of overdue loans and advances to customers are presented in Note 44(a).

17.3 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 2019				
Total loans and advances	242,664,439	12,345,170	5,186,217	260,195,826
Accrued interest	2,185,076	170,450	1	2,355,527
Allowance for impairment losses	(2,092,375)	(2,490,903)	(3,571,125)	(8,154,403)
Loans and advances to customers, net	242,757,140	10,024,717	1,615,093	254,396,950

(Amount in thousands of RMB, unless otherwise stated)

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

17.3 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 2018				
Total loans and advances	239,708,501	9,627,015	4,396,572	253,732,088
Accrued interest	2,194,420	78,819	4,977	2,278,216
Allowance for impairment losses	(2,145,122)	(2,175,810)	(3,148,170)	(7,469,102)
Loans and advances to customers, net	239,757,799	7,530,024	1,253,379	248,541,202

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

	For the six-month period ended 30 June 2019			
Group	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	2	–	1	3
Impairment loss charge for the period	156,951	524,155	1,101,607	1,782,713
Stage conversion	(209,700)	(209,062)	418,762	–
Converted to Stage I	104,973	(87,378)	(17,595)	–
Converted to Stage II	(264,340)	292,757	(28,417)	–
Converted to Stage III	(50,333)	(414,441)	464,774	–
Write-off and transfer out	–	–	(1,059,178)	(1,059,178)
Recovery of loans and advances previously written off	–	–	12,000	12,000
Accreted interest on impaired loans	–	–	(50,237)	(50,237)
As at 31 December 2019	2,092,375	2,490,903	3,571,125	8,154,403

As at 30 June 2019, the Group adjusted the five-level classification and customer rating of loans and advance to customers, and the loan principal of RMB7,378 million in stage 1 was transferred to stage 2 and stage 3, and the corresponding impairment provision was increased by RMB2,008 million. The loan principal from stage 2 to stage 3 is RMB1,719 million, with a corresponding increase in impairment provision of RMB602 million. The principal of the loan transferred from stage 2 to stage 1 is RMB578 million, and the corresponding impairment provision is reduced by RMB72 million. The principal of the loan transferred from stage 3 to stage 1 and stage 2 is not significant.

(Amount in thousands of RMB, unless otherwise stated)

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

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

	For the year ended 31 December 2018			
Group	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 1 January 2018	2,450,427	1,682,875	3,040,196	7,173,498
Exchange difference	232	–	2,397	2,629
Impairment loss charge for the year	(111,253)	675,324	1,067,991	1,632,062
Stage conversion	(194,284)	(182,389)	376,673	–
Converted to Stage I	158,150	(144,133)	(14,017)	–
Converted to Stage II	(318,190)	322,964	(4,774)	–
Converted to Stage III	(34,244)	(361,220)	395,464	–
Write-off and transfer out	–	–	(1,374,290)	(1,374,290)
Recovery of loans and advances previously written off	–	–	106,034	106,034
Accreted interest on impaired loans	–	–	(70,831)	(70,831)
As at 31 December 2018	2,145,122	2,175,810	3,148,170	7,469,102

As at 31 December 2018, the Group adjusted the five-level classification and customer rating of loans and advance to customers, and the loan principal of RMB7,539 million in stage 1 was transferred to stage 2 and stage 3, and the corresponding impairment provision was increased by RMB2,336 million. The loan principal from stage 2 to stage 3 is RMB1,607 million, with a corresponding increase in impairment provision of RMB676 million. The principal of the loan transferred from stage 2 to stage 1 is RMB654 million, and the corresponding impairment provision is reduced by RMB120 million. The principal of the loan transferred from stage 3 to stage 1 and stage 2 is not significant.

(Amount in thousands of RMB, unless otherwise stated)

18. Derivative financial instruments

The Group enters into interest rate and currency rate related derivative financial instruments 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 on 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 and foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	Group					
	30 June 2019			31 December 2018		
	Contractual/ notional amount	Fair value Assets	Fair value Liabilities	Contractual/ notional amount	Fair value Assets	Fair value Liabilities
Interest rate swap	100,000	–	(229)	100,000	107	–
Foreign exchange forwards	699,388	7,400	(10,479)	1,183,816	13,252	(14,608)
Foreign exchange swap	138,461	4,205	–	138,461	2,889	–
	937,849	11,605	(10,708)	1,422,277	16,248	(14,608)

(Amount in thousands of RMB, unless otherwise stated)

19. Financial investments

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

	Group	
	30 June 2019	31 December 2018
Government debt securities	862,730	863,013
Financial institution debt securities	2,248,219	1,716,670
Corporate debt securities	8,064	22,971
Funds (i)	4,741,503	2,433,782
Trust fund plans and asset management plans (ii)	36,276,051	33,161,374
Subtotal	44,136,567	38,197,810
Accrued interest	106,660	190,822
Total	44,243,227	38,388,632

(i) The Group's fund investments belong to debt instruments and can not go through SPPI testing, therefore they were classified as financial assets at fair value through profit or loss.

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

(Amount in thousands of RMB, unless otherwise stated)

19. Financial investments *(Continued)*

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

	Group	
	30 June 2019	31 December 2018
Government debt securities	14,394,625	9,142,340
Policy bank debt securities	6,178,549	10,812,006
Financial institution debt securities	7,945,791	7,202,208
Corporate debt securities	8,080,549	7,117,882
Subtotal (i)	36,599,514	34,274,436
Equity investments (ii)	81,368	81,368
Accrued interest	595,467	612,515
Net balance	37,276,349	34,968,319

(i) As at 30 June 2019, the debt securities of RMB100 million of the Group at fair value through other comprehensive income were in Stage 2, and the accumulated allowance for impairment losses amounted to RMB33,780 thousand. The rest were in stage 1 and the accumulated allowance for impairment losses amounted to RMB9,514 thousand.

(ii) Parts of the unlisted equity investments have been exercised the irrevocable option by the group and measured at fair value through other comprehensive income of financial assets.

(iii) The group did not reclassify the debt securities during the six months period ended 2019 (2018: Nil).

(Amount in thousands of RMB, unless otherwise stated)

19. Financial investments *(Continued)*

(c) Financial assets at amortised cost

	Group	
	30 June 2019	31 December 2018
Government debt securities	13,180,549	10,496,748
Policy bank debt securities	12,097,600	12,598,758
Financial institution debt securities	1,099,904	1,393,220
Corporate debt securities	7,011,540	6,531,175
Subtotal	33,389,593	31,019,901
Trust fund plans and asset management plans	122,223,864	122,431,479
Accrued interest	1,245,264	1,188,075
Allowance for impairment losses (i)	(3,599,056)	(3,117,793)
Net balance	153,259,665	151,521,662

(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 2019	809,586	179,993	2,128,214	3,117,793
Impairment loss charge/ (conversion) during the period	29,206	(40,383)	492,440	481,263
Write-off and transfer out	–	–	–	–
As at 30 June 2019	838,792	139,610	2,620,654	3,599,056

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at 1 January 2018	878,697	456,386	1,455,722	2,790,805
Impairment loss charge/ (conversion) during the year	(69,111)	(276,393)	837,865	492,361
Write-off and transfer out	–	–	(165,373)	(165,373)
As at 31 December 2018	809,586	179,993	2,128,214	3,117,793

(Amount in thousands of RMB, unless otherwise stated)

20. Finance lease receivables

	Group	
	30 June 2019	31 December 2018
Finance lease receivables	30,373,454	24,870,156
Less: unearned finance lease income	(3,536,513)	(2,683,460)
Present value of minimum finance lease receivables	26,836,941	22,186,696
Accrued interest	224,108	183,423
Less: allowance for impairment losses	(825,151)	(612,244)
Net balance	26,235,898	21,757,875

As of 30 June 2019, the carrying amounts of finance lease receivables in Stages 1, 2 and 3 were RMB25,632,664 thousand, RMB844,645 thousand and RMB359,632 thousand respectively, and allowances for impairment losses in Stages 1, 2 and 3 were RMB363,052 thousand, RMB171,320 thousand and RMB290,779 thousand respectively.

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are as follows:

	Group					
	30 June 2019			31 December 2018		
	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	10,828,405	(1,479,002)	9,349,403	9,273,984	(1,148,359)	8,125,625
1 year to 2 years	8,403,749	(984,680)	7,419,069	6,951,711	(757,726)	6,193,985
2 years to 3 years	5,569,454	(650,376)	4,919,078	5,009,902	(519,153)	4,490,749
3 years to 5 years	5,182,635	(398,023)	4,784,612	3,440,541	(245,047)	3,195,494
More than 5 years	389,211	(24,432)	364,779	194,018	(13,175)	180,843
	30,373,454	(3,536,513)	26,836,941	24,870,156	(2,683,460)	22,186,696

(Amount in thousands of RMB, unless otherwise stated)

21. 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 2018	6,125,729	2,382,890	497,420	1,769,312	81,340	314,398	11,171,089
Additions	13,118	353,002	61,647	169,738	7,598	–	605,103
Transfer from construction in progress	88,174	(150,632)	–	62,458	–	–	–
Disposals	(21,925)	–	–	(10,733)	(15,119)	–	(47,777)
Other decrease	–	(20,066)	–	–	–	–	(20,066)
At 31 December 2018 and 1 January 2019	6,205,096	2,565,194	559,067	1,990,775	73,819	314,398	11,708,349
Additions	3,569	237,446	15,019	42,737	2,585	–	301,356
CIP transfers	394,903	(395,810)	–	907	–	–	–
Disposals	(19,588)	–	–	(1,518)	(4,833)	–	(25,939)
At 30 June 2019	6,583,980	2,406,830	574,086	2,032,901	71,571	314,398	11,983,766
Accumulated depreciation:							
At 1 January 2018	803,116	–	360,271	1,149,536	61,258	44,802	2,418,983
Depreciation charge for the year	178,032	–	61,299	198,754	6,004	14,934	459,023
Disposals	(1,164)	–	–	(9,172)	(12,261)	–	(22,597)
At 31 December 2018 and 1 January 2019	979,984	–	421,570	1,339,118	55,001	59,736	2,855,409
Depreciation charge for the period	90,275	–	28,682	98,176	2,432	7,467	227,032
Disposals	(3,212)	–	–	(1,004)	(4,515)	–	(8,731)
At 30 June 2019	1,067,047	–	450,252	1,436,290	52,918	67,203	3,073,710
Net carrying amount:							
At 31 December 2018	5,225,112	2,565,194	137,497	651,657	18,818	254,662	8,852,940
At 30 June 2019	5,516,933	2,406,830	123,834	596,611	18,653	247,195	8,910,056

(Amount in thousands of RMB, unless otherwise stated)

21. Property and equipment *(Continued)*

Group *(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 2019	31 December 2018
Held in China:		
Over 50 years	1,676,756	1,707,641
10 to 50 years	3,779,334	3,455,726
Less than 10 years	60,843	61,745
	5,516,933	5,225,112

As at 30 June 2019, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB1,835 million (31 December 2018: RMB2,236 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.

(Amount in thousands of RMB, unless otherwise stated)

22. Deferred income tax assets and liabilities

(a) Analysed by nature

Group

	30 June 2019		31 December 2018	
	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	10,389,259	2,583,344	8,532,553	2,119,603
Contingent liabilities	94,672	23,668	96,351	24,088
Salaries, bonuses, allowances and subsidies payable	65,506	16,376	62,226	15,556
Early retirement benefits	27,229	6,807	33,898	8,475
Deferred revenue	161,347	40,337	190,460	47,615
Subtotal	10,738,013	2,670,532	8,915,488	2,215,337
Deferred income tax liabilities:				
Changes in fair value of financial assets at fair value through profit or loss	(512,489)	(128,122)	(344,027)	(86,007)
Changes in fair value of financial assets at fair value through other comprehensive income	(215,473)	(53,869)	(460,758)	(115,190)
Change in fair value of derivatives	(897)	(224)	(1,640)	(410)
Subtotal	(728,859)	(182,215)	(806,425)	(201,607)
Net deferred income tax	10,009,154	2,488,317	8,109,063	2,013,730

(Amount in thousands of RMB, unless otherwise stated)

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

(b) Movements in deferred income tax

Group

	At 1 January 2019	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 30 June 2019
Deferred income tax assets:				
Allowance for impairment losses	2,119,603	463,741	–	2,583,344
Contingent liabilities	24,088	(420)	–	23,668
Changes in fair value of financial assets at fair value through profit or loss	(86,007)	(42,115)	–	(128,122)
Changes in fair value of financial assets at fair value through other comprehensive income	(115,190)	–	61,321	(53,869)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	8,918	(8,918)	–
Changes in fair value of derivatives	(410)	186	–	(224)
Salaries, bonuses, allowances and subsidies payable	15,556	820	–	16,376
Early retirement benefits	8,475	(1,668)	–	6,807
Deferred revenue	47,615	(7,278)	–	40,337
Net deferred income tax	2,013,730	422,184	52,403	2,488,317

(Amount in thousands of RMB, unless otherwise stated)

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

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

Group *(Continued)*

	At 1 January 2018	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2018
Deferred income tax assets:				
Allowance for impairment losses	1,931,875	187,728	–	2,119,603
Contingent liabilities	20,374	3,714	–	24,088
Changes in fair value of financial assets at fair value through profit or loss	50,944	(136,951)	–	(86,007)
Changes in fair value of financial assets at fair value through other comprehensive income	169,223	–	(284,413)	(115,190)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	(279)	279	–
Changes in fair value of derivatives	2,569	(2,979)	–	(410)
Salaries, bonuses, allowances and subsidies payable	12,720	2,836	–	15,556
Early retirement benefits	5,835	2,640	–	8,475
Deferred revenue	83,754	(36,139)	–	47,615
Net deferred income tax	2,277,294	20,570	(284,134)	2,013,730

As at 30 June 2019, the Group did not have significant unrecognised deferred income tax assets and liabilities (31 December 2018: Nil).

(Amount in thousands of RMB, unless otherwise stated)

23. Other assets

	Group	
	30 June 2019	31 December 2018
Interest receivable (a)	348,365	181,281
Right-to-use assets (b)	697,900	N/A
Land use rights (c)	4,722	4,817
Advance payments	596,518	323,733
Settlement and clearing accounts	2,567,805	462,190
Repossessed assets	647,874	–
Intangible assets (d)	181,792	181,279
Other receivables	608,990	307,249
Input VAT carried forward	17,799	58,584
Others	43,488	9,356
Subtotal	5,715,253	1,528,489
Impairment loss	(181,395)	(29,573)
Total	5,533,858	1,498,916

(Amount in thousands of RMB, unless otherwise stated)

23. Other assets *(Continued)*

(a) Interest receivable

As at 30 June 2019, the carrying amounts of the Group's overdue interest receivables in Stages 1, 2 and 3 were RMB106,542 thousand, RMB241,817 thousand and RMB6 thousand, respectively, and the impairment losses were RMB10,006 thousand, RMB42,992 thousand and RMB3 thousand, respectively.

(b) Right-to-use assets

	For the six-month period ended 30 June 2019		
	Buildings	Transportations and others	Total
Original			
At 1 January 2019	561,967	159,387	721,354
Additions	3,133	26,938	30,071
At 30 June 2019	565,100	186,325	751,425
Accumulated depreciation:			
At 1 January 2019	–	–	–
Additions	(38,113)	(15,412)	(53,525)
At 30 June 2019	(38,113)	(15,412)	(53,525)
Net Value			
At 1 January 2019	561,967	159,387	721,354
At 30 June 2019	526,987	170,913	697,900

(c) Land use rights

	Group	
	30 June 2019	31 December 2018
Located in Mainland China		
10 to 50 years	4,722	4,817

(d) Intangible assets

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

(Amount in thousands of RMB, unless otherwise stated)

24. Due to central bank

	Group	
	30 June 2019	31 December 2018
Standing lending facility	5,000,000	–
Medium-term lending facility	3,000,000	2,000,000
Small enterprises supporting re-lending	1,330,000	380,000
Agricultural supporting re-lending	423,690	773,700
Poverty alleviation re-lending	100,000	–
Subtotal	9,853,690	3,153,700
Interest payable	69,783	19,854
Total	9,923,473	3,173,554

25. Borrowings from banks and other financial institutions

	Group	
	30 June 2019	31 December 2018
Unsecured borrowings	20,688,944	14,212,583
Pledged borrowings	192,547	280,759
Subtotal	20,881,491	14,493,342
Interest payable	391,965	184,500
Total	21,273,456	14,677,842

As at 30 June 2019 and 31 December 2018, the pledged borrowings of RMB193 million and RMB281 million were secured by the finance lease receivables of RMB233 million and RMB338 million respectively.

(Amount in thousands of RMB, unless otherwise stated)

26. Due to banks

	Group	
	30 June 2019	31 December 2018
Deposits:		
Banks operating in Mainland China	21,721,167	27,482,788
Banks operating outside Mainland China	16,074	10,068
Subtotal	21,737,241	27,492,856
Interest payable	617,792	436,399
Subtotal	22,355,033	27,929,255
Placements:		
Banks operating in Mainland China	500,000	710,202
Subtotal	500,000	710,202
Interest payable	11,833	5,789
Subtotal	511,833	715,991
Total	22,866,866	28,645,246

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

(Amount in thousands of RMB, unless otherwise stated)

27. Repurchase agreements

Repurchase agreements comprise the repurchase of bonds and bills.

	Group	
	30 June 2019	31 December 2018
Repurchase agreements analysed by counterparty:		
Central bank	–	2,990,000
Banks within Mainland China	7,274,300	–
Other financial institutions within Mainland China	737,400	–
Interest payable	8,266	739
Total	8,019,966	2,990,739
Repurchase agreements analysed by collateral:		
Bonds	8,011,700	2,990,000
Interest payable	8,266	739
Total	8,019,966	2,990,739

28. Due to customers

	Group	
	30 June 2019	31 December 2018
Demand deposits:		
Corporate customers	97,770,862	88,853,444
Personal customers	40,167,534	41,152,722
Subtotal	137,938,396	130,006,166
Time deposits:		
Corporate customers	130,236,023	164,354,975
Personal customers	146,468,220	101,155,662
Subtotal	276,704,243	265,510,637
Subtotal	414,642,639	395,516,803
Interest payable	7,019,013	4,763,394
Total	421,661,652	400,280,197

(Amount in thousands of RMB, unless otherwise stated)

29. Debt securities issued

	Group	
	30 June 2019	31 December 2018
Financial bonds issued	6,994,481	6,994,628
Tier 2 capital bonds issued	8,000,000	7,999,766
Negotiable certificates of deposit issued	68,021,606	97,385,295
Subtotal	83,016,087	112,379,689
Interest payable	97,589	386,691
Total	83,113,676	112,766,380

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 2019 (2018: 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
16 Harbin Bank leasing financial bonds 01	27 July 2016	100	3.50%	29 July 2016	29 July 2019	1,000 million
17 Harbin Bank Green Finance 01	6 April 2017	100	4.79%	11 April 2017	11 April 2020	2,000 million
17 Harbin Bank Green Finance 02	5 May 2017	100	4.68%	10 May 2017	10 May 2020	2,000 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 2019 and the year ended 31 December 2018, the Group issued 54 tranches and 382 tranches of interbank negotiable certificates of deposit at a face value of RMB100 through the domestic interbank bond market respectively, and sold them at discount. As at 30 June 2019 and 31 December 2018, 135 tranches and 190 tranches of negotiable certificates of deposit issued by the Group have not yet expired, the balances of which were RMB68.02 billion and RMB97.39 billion respectively, with a time limit of 1 month to 1 year.

(Amount in thousands of RMB, unless otherwise stated)

30. Other liabilities

	Group	
	30 June 2019	31 December 2018
Wealth management products payable	6,519	4,465
Settlement and clearing accounts	1,334,548	964,669
Account payable from agency services	288,978	1,133,133
Salaries, bonuses, allowances and subsidies payable (a)	238,914	556,841
Sundry tax payables	250,327	212,501
Deferred revenue (b)	275,215	299,001
Dividends payable	28,979	29,838
Accrued expenses	79,303	71,019
Lease guarantee fee	1,574,584	1,237,441
Other payables	1,017,581	652,168
Contingent liabilities	94,672	96,351
Lease liabilities	686,725	N/A
	5,876,345	5,257,427

(a) Salaries, bonuses, allowances and subsidies payable

	Group	
	30 June 2019	31 December 2018
Salaries, bonuses and allowances	146,070	497,536
Social insurance	34,321	10,630
Housing fund	22,370	6,365
Labour union expenditure and education costs	8,786	8,412
Early retirement benefits	27,367	33,898
	238,914	556,841

(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 2019	31 December 2018
Intermediary services	275,215	299,001

(Amount in thousands of RMB, unless otherwise stated)

31. Share capital

	Bank			
	2019		2018	
	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 2019/31 December 2018	10,995,600	10,995,600	10,995,600	10,995,600

32. Capital reserve

	Share premium	Other capital reserve	Total
At 1 January 2018	7,624,993	11,874	7,636,867
Increase during the year	–	1,590	1,590
Decrease during the year	–	–	–
At 31 December 2018	7,624,993	13,464	7,638,457
Increase during the period	–	24,885	24,885
Decrease during the period	–	–	–
At 30 June 2019	7,624,993	38,349	7,663,342

33. Surplus reserves

	Statutory surplus reserve	Discretionary surplus reserve	Total
At 1 January 2018	2,869,997	26,186	2,896,183
Appropriation during the year	529,145	–	529,145
At 31 December 2018	3,399,142	26,186	3,425,328
Appropriation during the period	–	–	–
At 30 June 2019	3,399,142	26,186	3,425,328

(Amount in thousands of RMB, unless otherwise stated)

33. Surplus reserves *(Continued)*

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

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.

34. General and regulatory reserves

	30 June 2019	31 December 2018
Balance as at the beginning of the period/year	7,143,548	6,805,820
Increase during the period/year	369,963	337,728
Balance as at the end of the period/year	7,513,511	7,143,548

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.

35. Undistributed profits

	30 June 2019	31 December 2018
Balance as at the end of the previous period/year	16,720,480	13,452,019
Impact of adopting IFRS 9	–	(863,528)
Balance as at the beginning of the period/year	16,720,480	12,588,491
Profit for the period/year attributable to owners of the parent	2,175,654	5,548,642
Net of:		
Appropriation to statutory surplus reserves	–	(529,145)
Appropriation to general and regulatory reserves	(369,963)	(337,728)
Dividends	–	(549,780)
Balance as at the end of the period/year	18,526,171	16,720,480

(Amount in thousands of RMB, unless otherwise stated)

35. Undistributed profits *(Continued)*

An ordinary share dividend of RMB0.05 per share in respect of the profit for the year ended 31 December 2017 was approved by the equity holders of the Group at the Annual General Meeting of 2017 held in May 2018.

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

36. 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	
	2019	2018
Items that will not be reclassified to profit or loss		
Changes in fair value of equity instruments designated as fair value through other comprehensive income	–	12,638
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	(228,276)	411,035
Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income	35,673	–
Transfer to the consolidated statement of income arising from disposal	(17,009)	983
Income tax effect	52,403	(106,163)
	(157,209)	318,493

(Amount in thousands of RMB, unless otherwise stated)

36. Other comprehensive income *(Continued)*

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

	Changes in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of available-for-sale financial assets	Allowance for impairment losses on the financial assets at fair value through other comprehensive income	Total
As at 31 December 2017	–	(526,018)	–	(526,018)
Impact of adopting IFRS 9	(507,732)	526,018	6,614	24,900
As at 1 January 2018	(507,732)	–	6,614	(501,118)
Changes in amount for last period	853,239	–	(837)	852,402
As at 1 January 2019	345,507	–	5,777	351,284
Changes in amount for the period	(183,964)	–	26,755	(157,209)
As at 30 June 2019	161,534	–	32,532	194,075

37. 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 2019	30 June 2018
Cash on hand (note 14)	810,890	810,084
Balances with the central bank (note 14)	43,374,120	21,276,710
Due from banks and other financial institutions	4,306,448	6,096,235
Reverse repurchase agreements	–	1,264,400
Total	48,491,458	29,447,429

(Amount in thousands of RMB, unless otherwise stated)

38. Commitments and contingent liabilities

(a) Capital commitments

The Group had capital commitments as follows:

	Group	
	30 June 2019	31 December 2018
Contracted, but not provided	273,818	714,542

(b) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and 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 2019	31 December 2018
Bank bill acceptances	69,710,079	74,246,821
Letters of guarantee issued	1,952,431	3,135,418
Letters of credit	6,828,375	7,871,395
Undrawn credit card limits	16,538,957	14,066,245
Total	95,029,842	99,319,879

(Amount in thousands of RMB, unless otherwise stated)

38. Commitments and contingent liabilities *(Continued)*

(c) Legal proceedings

As at 30 June 2019 and 31 December 2018, significant legal proceedings exceed RMB10,000 thousand outstanding against the Group amounted to RMB70,637 thousand and RMB30,000 thousand respectively. 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 2019, the Bank had underwritten and sold bonds with an accumulated amount of RMB2,929 million (31 December 2018: RMB2,645 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 2019, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB31,471 million (31 December 2018: approximately RMB19,616 million).

39. Fiduciary activities

	Group	
	30 June 2019	31 December 2018
Designated funds	4,296,226	4,704,794
Designated loans	4,296,226	4,704,794

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.

40. 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 2019 and 31 December 2018, none of the above-mentioned financial assets was transferred to third parties while that 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 2019, the Group derecognised the transferred credit assets in their entirety in the credit asset securitisation transactions. The book value of corresponding total carrying amount of asset-backed securities held by the Group invested in the credit asset securitisation transactions was RMB298,749 thousand as at 30 June 2019 (31 December 2018: RMB385,714 thousand), which also approximates to the Group's maximum exposure to loss.

41. 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:

41.1 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 2019, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB65,876 million (31 December 2018: RMB67,348 million). For the six-month period ended 30 June 2019, fee and commission income included commission and custodian fee and management fee income from the wealth management business that amounted to RMB306,655 thousand (for the six-month period ended 30 June 2018: RMB281,159 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 2019, the Group did not provide any financing to the unconsolidated wealth management products (for the six-month period ended 30 June 2018: 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 2019, the Group did not transfer credit assets to the special purpose entities (for the six-month period ended 30 June 2018: Nil).

(Amount in thousands of RMB, unless otherwise stated)

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

41.2 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 2019 and the year ended 31 December 2018, the Group has not provided liquidity support for these structured entities.

As at 30 June 2019, 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 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	36,276,051	122,223,864	158,499,915	155,003,224
Funds	4,741,503	–	4,741,503	4,741,503

	As at 31 December 2018			
	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	33,161,374	122,431,479	155,592,853	152,526,625
Funds	2,433,782	–	2,433,782	2,433,782

(Amount in thousands of RMB, unless otherwise stated)

42. Related party disclosures

(a) Significant related party disclosures

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

	Share percentage in the Bank	
	30 June	31 December
Name	2019	2018
	%	%
Harbin Economic Development and Investment Company	19.65	19.65
Fubon Life Insurance Company Limited	7.03	7.03
Harbin Kechuang Xingye Investment Company Limited	6.55	6.55
Heilongjiang Keruan Software Technology Company Limited	6.55	6.55
Heilongjiang Xin Yongsheng Trading Company Limited	5.82	5.82
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	5.20	5.20

(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.

(Amount in thousands of RMB, unless otherwise stated)

42. 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

Deposit interest expense

	For the six-month period ended 30 June	
Name	2019	2018
Harbin Economic Development and Investment Company	8,959	12,941
Heilongjiang Xin Yongsheng Trading Company Limited	71	30
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	11	38

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

	For the six-month period ended 30 June	
	2019	2018
Loan interest income	581	807
Deposit interest expense	235	88

(iii) Transactions between the Bank and its subsidiaries

	For the six-month period ended 30 June	
	2019	2018
Interest income	194,142	97,755
Interest expense	24,286	19,333
Commission expense	16,202	–

(Amount in thousands of RMB, unless otherwise stated)

42. Related party disclosures *(Continued)*

(b) Related party transactions *(Continued)*

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

(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

Deposit interest expense

	For the six-month period ended 30 June	
Name	2019	2018
Dalian Port Company Limited	–	1,290
Sino Russian Financial Union (Harbin)	16	18

Commission income

	For the six-month period ended 30 June	
Name	2019	2018
Da Cheng Fund Management Company Limited (i)	1,039	3,607

(i) The above commission income is earned from the sale of fund products of Da Cheng Fund Management Company Limited as an agent.

(v) Transactions with other related parties

	For the six-month period ended 30 June	
	2019	2018
Emoluments of key management personnel and their close family members	16,600	11,331

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.

(Amount in thousands of RMB, unless otherwise stated)

42. Related party disclosures *(Continued)*

(b) Related party transactions *(Continued)*

2. *Balances with related parties*

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

Deposits

Name	30 June 2019	31 December 2018
Harbin Economic Development and Investment Company	6,289,372	4,346,831
Heilongjiang Xin Yongsheng Trading Company Limited	399	89
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	180	168

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

	30 June 2019	31 December 2018
Loans	22,207	29,826
Deposits	19,714	19,130

(iii) Balances between the Group and its subsidiaries

	30 June 2019	31 December 2018
Due from banks and other financial institutions	3,360,140	2,585,000
Due to banks	3,791,739	3,503,643
Interest receivable	209,263	150,974
Interest payable	15,930	11,167
Deposits	1,279,299	7,546
Placement with banks	5,500,000	6,200,000

(Amount in thousands of RMB, unless otherwise stated)

42. Related party disclosures *(Continued)*

(b) Related party transactions *(Continued)*

2. Balances with related parties *(Continued)*

(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

Deposits

Name	30 June 2019	31 December 2018
Dalian Port Company Limited	–	100,042
Sino Russian Financial Union (Harbin)	5,675	8,429

As at 30 June 2019, RMB400,000 thousand of “2014 Huaxia subordinated bond” issued by Huaxia Life Insurance Company Limited and purchased by the Group’s unconsolidated non-guaranteed wealth management products have been duly paid at maturity.

43. 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 businesses

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.

(Amount in thousands of RMB, unless otherwise stated)

43. Segment information *(Continued)*

(a) Operating segments *(Continued)*

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.

	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.

(Amount in thousands of RMB, unless otherwise stated)

43. Segment information *(Continued)*

(a) Operating segments *(Continued)*

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
Six months ended 30 June 2018					
External net interest income	521,721	1,954,277	2,495,059	–	4,971,057
Internal net interest income/(expense)	1,159,411	(83,010)	(1,076,401)	–	–
Net fee and commission income	266,034	292,532	572,960	–	1,131,526
Other income, net (i)	8,692	–	401,977	24,511	435,180
Operating income	1,955,858	2,163,799	2,393,595	24,511	6,537,763
Operating expenses	(562,106)	(520,355)	(816,435)	(21,813)	(1,920,709)
Impairment losses on:					
Loans and advances to customers	(499,864)	(413,692)	–	–	(913,556)
Others	(183,158)	–	(33,115)	–	(216,273)
Operating profit	710,730	1,229,752	1,544,045	2,698	3,487,225
Profit before tax	710,730	1,229,752	1,544,045	2,698	3,487,225
Income tax expense					(879,197)
Profit for the period					2,608,028
Other segment information:					
Depreciation and amortisation	76,583	70,895	118,150	424	266,052
Capital expenditure	85,417	79,073	131,780	472	296,742
As at 30 June 2018					
Segment assets	198,251,024	133,857,561	239,279,624	553,267	571,941,476
Segment liabilities	245,182,062	132,359,333	148,632,982	1,824,771	527,999,148
Other segment information:					
Credit commitments	63,106,862	12,163,751	–	–	75,270,613

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

43. 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.

(Amount in thousands of RMB, unless otherwise stated)

43. 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.

(Amount in thousands of RMB, unless otherwise stated)

43. 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 2018						
External net interest income	4,090,331	118,889	335,583	208,986	217,268	4,971,057
Internal net interest income/(expense)	(1,003,887)	442,621	461,550	92,615	7,101	–
Net fee and commission income	823,928	99,698	79,033	120,051	8,816	1,131,526
Other income, net (i)	431,709	962	749	446	1,314	435,180
Operating income	4,342,081	662,170	876,915	422,098	234,499	6,537,763
Operating expenses	(1,371,916)	(154,137)	(220,267)	(96,571)	(77,818)	(1,920,709)
Impairment losses on:						
Loans and advances to customers	(333,688)	(101,211)	(307,472)	(140,439)	(30,746)	(913,556)
Others	(209,207)	(1,871)	(3,312)	(1,396)	(487)	(216,273)
Operating profit	2,427,270	404,951	345,864	183,692	125,448	3,487,225
Profit before tax	2,427,270	404,951	345,864	183,692	125,448	3,487,225
Income tax expense						(879,197)
Profit for the period						2,608,028
Other segment information:						
Depreciation and amortisation	189,313	15,042	46,960	5,316	9,421	266,052
Capital expenditure	198,142	20,298	44,307	23,405	10,590	296,742
As at 30 June 2018						
Segment assets	424,761,657	45,875,848	56,760,212	34,964,509	9,579,250	571,941,476
Segment liabilities	355,691,442	50,545,685	68,259,273	45,302,651	8,200,097	527,999,148
Other segment information:						
Credit commitments	28,236,299	12,454,021	22,050,557	9,292,272	3,237,464	75,270,613

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

44. 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 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 no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments at the end of reporting period of the current 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.

44. 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 a credit loss occurring 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 borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts 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 each end of reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, 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 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:

44. 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 asset

The method adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument takes 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 on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

44. 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.

44. 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 and 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 resulted 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 contractual cash flows that will be re-negotiated or modified based on the discounted to present value at the original effective interest rate.

(Amount in thousands of RMB, unless otherwise stated)

44. 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 2019	31 December 2018
Balances with the central bank	83,110,012	74,926,646
Due from banks and other financial institutions	6,516,909	21,333,475
Reverse repurchase agreements	–	10,856,196
Loans and advances to customers	255,037,895	248,571,811
Derivative financial instruments	11,605	16,248
Financial investments		
– Financial assets at fair value through profit or loss	44,243,227	38,388,632
– Financial assets at fair value through other comprehensive income	37,194,981	34,886,951
– Financial assets at amortised cost	153,259,665	151,521,662
Finance lease receivables	26,235,898	21,757,875
Others	3,343,765	921,147
Subtotal	608,953,957	603,180,643
Credit commitments	95,029,842	99,319,879
Total maximum credit risk exposure	703,983,799	702,500,522

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt securities. Details of the composition of the Group's investments in debt securities are set out in note 44(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 2019	31 December 2018
Agriculture, forestry, animal husbandry and fishing	1,813,708	2,135,824
Mining	132,900	157,576
Manufacturing	8,407,209	11,451,194
Production and supply of electricity, gas and water	2,628,022	2,767,379
Construction	10,624,962	12,168,208
Wholesale and retail sales	34,561,980	29,781,675
Transportation, storage and postal services	3,362,839	3,801,888
Lodging and catering	3,237,804	3,451,540
Information transmission, computer services and software	684,770	817,100
Finance	819,800	734,900
Real estate	22,288,381	21,385,659
Leasing and commercial services	34,916,600	37,357,311
Scientific research, technological services and geological prospecting	312,511	384,229
Water, environment and public utility management and investment industry	10,143,264	9,362,503
Resident services and other services	222,175	337,989
Education	317,585	338,097
Health, social security and social welfare	1,179,858	1,143,290
Culture, sports and entertainment	355,512	345,905
Public administration and social organisations	421,994	421,994
Subtotal for corporate loans and advances	136,431,874	138,344,261
Discounted bills	640,945	30,609
Personal loans:		
Personal business	37,650,430	32,865,168
Mortgages	17,542,208	18,119,564
Personal consumption	54,389,360	51,495,667
Loans to farmers	14,181,954	12,907,428
Subtotal for personal loans	123,763,952	115,387,827
Total for loans and advances to customers	260,836,771	253,762,697

(Amount in thousands of RMB, unless otherwise stated)

44. 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 2019	31 December 2018
Heilongjiang region	108,592,772	104,044,301
Northeastern China excluding Heilongjiang	37,060,430	40,015,670
Northern China	43,684,588	41,089,253
Southwestern China	51,284,953	50,694,460
Other regions	20,214,028	17,919,013
Total	260,836,771	253,762,697

By manners of guarantees

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

	30 June 2019	31 December 2018
Unsecured loans	46,918,163	39,731,356
Guaranteed loans	72,611,360	72,315,349
Loans secured by mortgages	125,881,568	125,073,584
Pledged loans	15,425,680	16,642,408
Total	260,836,771	253,762,697

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	30 June 2019	31 December 2018
Corporate loans and advances		
– Neither past due nor impaired	126,649,763	132,553,307
– Past due but not impaired	8,319,157	4,319,965
– Impaired	2,103,899	1,501,598
Subtotal	137,072,819	138,374,870
Personal loans		
– Neither past due nor impaired	117,724,868	110,350,743
– Past due but not impaired	3,208,348	2,142,110
– Impaired	2,830,736	2,894,974
Subtotal	123,763,952	115,387,827
Total	260,836,771	253,762,697

(Amount in thousands of RMB, unless otherwise stated)

44. 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 2019		
	Pass	Special Mention	Total
Corporate loans and advances	124,052,062	2,597,701	126,649,763
Personal loans	117,593,733	131,135	117,724,868
Total	241,645,795	2,728,836	244,374,631

	As at 31 December 2018		
	Pass	Special Mention	Total
Corporate loans and advances	129,063,860	3,489,447	132,553,307
Personal loans	110,249,533	101,210	110,350,743
Total	239,313,393	3,590,657	242,904,050

(Amount in thousands of RMB, unless otherwise stated)

44. 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 2019			
Overdue days	Within 1 month	1 to 3 months	Over 3 months	Total
Corporate loans and advances	4,795,126	3,524,031	–	8,319,157
Personal loans	1,551,851	1,656,497	–	3,208,348
Total	6,346,977	5,180,528	–	11,527,505

	As at 31 December 2018			
Overdue days	Within 1 month	1 to 3 months	Over 3 months	Total
Corporate loans and advances	2,213,567	2,106,398	–	4,319,965
Personal loans	1,021,193	1,120,917	–	2,142,110
Total	3,234,760	3,227,315	–	6,462,075

As at 30 June 2019, the fair values of collateral that the Group holds relating to corporate loans which are past due but not impaired amounted to RMB8,534,734 thousand (31 December 2018: RMB8,400,114 thousand), and the fair values of collateral that the Group holds relating to personal loans which are past due but not impaired amounted to RMB3,418,656 thousand (31 December 2018: RMB2,672,169 thousand).

(Amount in thousands of RMB, unless otherwise stated)

44. 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 that events have an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

	30 June 2019	31 December 2018
Corporate loans and advances	2,103,899	1,501,598
Personal loans	2,830,736	2,894,974
Total	4,934,635	4,396,572

As at 30 June 2019, the fair values of collateral that the Group holds relating to loans individually determined to be impaired amounted to RMB2,547,956 thousand (31 December 2018: RMB1,537,052 thousand). 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 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
Pass	243,305,384	4,609,652	188,716	248,103,752
Special mention	–	7,735,518	62,866	7,798,384
Substandard	–	–	2,489,442	2,489,442
Doubtful	–	–	1,532,721	1,532,721
Loss	–	–	912,472	912,472
Total	243,305,384	12,345,170	5,186,217	260,836,771

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) ***Loans and advances to customers*** *(Continued)*

Impaired *(Continued)*

	31 December 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
Pass	239,739,110	2,652,551	–	242,391,661
Special mention	–	6,974,464	–	6,974,464
Substandard	–	–	1,591,402	1,591,402
Doubtful	–	–	1,474,385	1,474,385
Loss	–	–	1,330,785	1,330,785
Total	239,739,110	9,627,015	4,396,572	253,762,697

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, borrowing 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 2019, the gross value of the loans and advances rescheduled held by the Group amounted to RMB4.56 billion (31 December 2018: RMB4.24 billion).

(v) ***Financial lease receivables***

	Group	
	30 June 2019	31 December 2018
Finance lease receivables, net		
Neither past due nor impaired	25,632,664	21,665,982
Past due but not impaired	844,645	161,082
Impaired	359,632	359,632
Subtotal	26,836,941	22,186,696
Less: Allowance for impairment losses	(825,151)	(612,244)
Net amount	26,011,790	21,574,452

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

(vi) Debt securities

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

Financial assets at amortised cost

	As at 30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
AAA	9,234,587	–	–	9,234,587
AA- to AA+	4,004,680	–	–	4,004,680
Unrated	134,875,112	2,266,348	5,232,730	142,374,190
Total	148,114,379	2,266,348	5,232,730	155,613,457
Allowance for impairment losses	(838,792)	(139,610)	(2,620,654)	(3,599,056)
Net balance	147,275,587	2,126,738	2,612,076	152,014,401

	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
AAA	7,540,720	–	–	7,540,720
AA- to AA+	4,560,194	–	–	4,560,194
Unrated	135,775,257	1,565,795	4,009,414	141,350,466
Total	147,876,171	1,565,795	4,009,414	153,451,380
Allowance for impairment losses	(809,586)	(179,993)	(2,128,214)	(3,117,793)
Net balance	147,066,585	1,385,802	1,881,200	150,333,587

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(a) Credit risk *(Continued)*

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

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

Financial assets at fair value through other comprehensive income

	As at 30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
AAA	6,053,681	–	–	6,053,681
AA- to AA+	5,472,257	–	–	5,472,257
A+ and below	–	100,304	–	100,304
Unrated	24,973,272	–	–	24,973,272
Total	36,499,210	100,304	–	36,599,514

	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
AAA	3,920,914	–	–	3,920,914
AA- to AA+	4,476,643	–	–	4,476,643
Unrated	25,876,879	–	–	25,876,879
Total	34,274,436	–	–	34,274,436

(Amount in thousands of RMB, unless otherwise stated)

44. 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 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	44,208,191	–	–	–	–	–	39,712,711	83,920,902
Due from banks and other financial institutions*	3,161,800	1,559,644	378,510	1,316,119	257,833	–	–	6,673,906
Loans and advances to customers	–	22,221,624	15,672,595	77,632,134	92,761,600	108,690,299	11,668,931	328,647,183
Financial investments	4,235,725	10,242,384	15,262,073	39,265,788	143,375,716	52,139,712	4,876,679	269,398,077
Finance lease receivables	–	969,365	1,486,686	7,429,613	18,443,546	384,303	834,790	29,548,303
Other financial assets	2,238,392	590,446	29,487	168,269	18,299	4,447	294,425	3,343,765
Total financial assets	53,844,108	35,583,463	32,829,351	125,811,923	254,856,994	161,218,761	57,387,536	721,532,136

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(b) Liquidity risk *(Continued)*

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

Group *(Continued)*

30 June 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
Financial liabilities:								
Due to the central bank	–	5,199,778	2,522,816	2,383,120	–	–	–	10,105,714
Borrowings from banks and other financial institutions	–	1,631,575	6,274,349	13,721,938	114,794	–	–	21,742,656
Due to banks**	82,798	10,585,858	6,426,458	14,056,661	–	–	–	31,151,775
Due to customers	140,188,006	24,813,171	51,820,418	138,138,571	82,282,708	204,466	–	437,447,340
Debt securities issued	–	3,132,219	28,530,000	42,907,350	3,381,899	8,640,000	–	86,591,468
Other financial liabilities	1,613,945	205,153	536,033	830,960	1,691,065	140,061	–	5,017,217
Total financial liabilities	141,884,749	45,567,754	96,110,074	212,038,600	87,470,466	8,984,527	–	592,056,170
Net position	(88,040,641)	(9,984,291)	(63,280,723)	(86,226,678)	167,386,529	152,234,234	57,387,536	129,475,966
Derivative cash flows								
Derivative financial instruments settled on a gross basis								
Total inflow	–	–	706,595	142,858	–	–	–	849,453
Total outflow	–	–	705,666	142,663	–	–	–	848,329
Credit commitments	16,790,512	2,718,426	24,678,533	50,035,662	806,709	–	–	95,029,842

* Includes reverse repurchase agreements

** Includes repurchase agreements

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(b) Liquidity risk *(Continued)*

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

Group *(Continued)*

31 December 2018	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	36,610,736	–	–	–	–	–	39,197,943	75,808,679
Due from banks and other financial institutions*	5,184,009	23,887,851	2,105,525	993,312	345,895	–	–	32,516,592
Loans and advances to customers	–	21,916,322	18,032,171	65,389,700	96,260,732	111,569,718	7,787,066	320,955,709
Financial investments	2,433,782	7,045,900	4,768,824	50,596,124	136,151,427	49,350,023	3,926,850	254,272,930
Finance lease receivables	–	714,539	1,463,849	6,549,847	15,037,705	191,190	300,720	24,257,850
Other financial assets	116,124	396,219	4,675	217,838	31,432	3,146	181,281	950,715
Total financial assets	44,344,651	53,960,831	26,375,044	123,746,821	247,827,191	161,114,077	51,393,860	708,762,475

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(b) Liquidity risk *(Continued)*

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

Group *(Continued)*

31 December 2018	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
Financial liabilities:								
Due to the central bank	–	18,842	134,331	3,085,469	–	–	–	3,238,642
Borrowings from banks and other financial institutions	–	1,176,348	3,980,310	9,589,208	156,061	–	–	14,901,927
Due to banks**	28,360	3,702,613	4,511,423	24,108,992	–	–	–	32,351,388
Due to customers	131,363,647	20,333,028	33,767,496	157,434,063	66,325,315	1,093,683	–	410,317,232
Debt securities issued	–	555,000	36,890,000	62,311,700	8,756,500	8,960,000	–	117,473,200
Other financial liabilities	2,099,212	40,129	93,125	631,862	1,204,675	24,283	–	4,093,286
Total financial liabilities	133,491,219	25,825,960	79,376,685	257,161,294	76,442,551	10,077,966	–	582,375,675
Net position	(89,146,568)	28,134,871	(53,001,641)	(133,414,473)	171,384,640	151,036,111	51,393,860	126,386,800
Derivative cash flows								
Derivative financial instruments settled on a gross basis								
Total inflow	–	–	–	1,338,418	–	–	–	1,338,418
Total outflow	–	–	–	1,336,885	–	–	–	1,336,885
Credit commitments	14,166,021	1,851,932	3,942,184	78,652,710	707,032	–	–	99,319,879

* Includes reverse repurchase agreements

** Includes repurchase agreements

44. 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 exposure 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.

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(c) Market risk *(Continued)*

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

Group

		Effect on profit before tax	
		30 June	31 December
Currency	Change in rate	2019	2018
USD	-1%	(16,405)	(17,691)
HKD	-1%	174	138
RUB	-1%	(121)	(423)

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

(Amount in thousands of RMB, unless otherwise stated)

44. 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 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	83,876,509	28,512	1,063	11,420	3,398	83,920,902
Due from banks and other financial institutions	5,063,005	1,338,279	18,548	9,407	87,670	6,516,909
Loans and advances to customers	254,398,067	639,785	–	–	43	255,037,895
Derivative financial assets	–	11,605	–	–	–	11,605
Financial investments	234,202,895	494,978	–	–	–	234,697,873
Finance lease receivables	26,235,898	–	–	–	–	26,235,898
Other financial assets	3,343,765	–	–	–	–	3,343,765
Total financial assets	607,120,139	2,513,159	19,611	20,827	91,111	609,764,847
Financial liabilities:						
Due to the central bank	9,923,473	–	–	–	–	9,923,473
Borrowings from banks and other financial institutions	21,273,456	–	–	–	–	21,273,456
Due to banks	22,846,423	5,414	–	5,214	9,815	22,866,866
Derivative financial liabilities	10,708	–	–	–	–	10,708
Repurchase agreements	8,019,966	–	–	–	–	8,019,966
Due to customers	420,725,474	867,033	1,186	3,464	64,495	421,661,652
Debt securities issued	83,113,676	–	–	–	–	83,113,676
Other financial liabilities	4,981,170	205	35,842	–	–	5,017,217
Total financial liabilities	570,894,346	872,652	37,028	8,678	74,310	571,887,014
Net position	36,225,793	1,640,507	(17,417)	12,149	16,801	37,877,833
Credit commitments	94,896,459	133,209	–	–	174	95,029,842

(Amount in thousands of RMB, unless otherwise stated)

44. 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 *(Continued)*
31 December 2018

	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	75,727,597	66,645	1,071	10,676	2,690	75,808,679
Due from banks and other financial institutions	20,018,577	990,118	22,017	45,832	256,931	21,333,475
Financial assets held for trading	10,856,196	–	–	–	–	10,856,196
Loans and advances to customers	247,638,252	933,556	–	–	3	248,571,811
Derivative financial assets	524	15,724	–	–	–	16,248
Financial investments	224,797,245	–	–	–	–	224,797,245
Finance lease receivables	21,757,875	–	–	–	–	21,757,875
Other financial assets	921,147	–	–	–	–	921,147
Total financial assets	601,717,413	2,006,043	23,088	56,508	259,624	604,062,676
Financial liabilities:						
Due to the central bank	3,173,554	–	–	–	–	3,173,554
Borrowings from banks and other financial institutions	14,677,842	–	–	–	–	14,677,842
Due to banks	28,613,329	11,550	–	10,140	10,227	28,645,246
Derivative financial liabilities	14,386	222	–	–	–	14,608
Repurchase agreements	2,990,739	–	–	–	–	2,990,739
Due to customers	399,968,994	225,110	1,188	4,100	80,805	400,280,197
Debt securities issued	112,766,380	–	–	–	–	112,766,380
Other financial liabilities	4,056,999	33	35,701	–	–	4,092,733
Total financial liabilities	566,262,223	236,915	36,889	14,240	91,032	566,641,299
Net position	35,455,190	1,769,128	(13,801)	42,268	168,592	37,421,377
Credit commitments	98,247,143	1,067,932	–	–	4,804	99,319,879

(Amount in thousands of RMB, unless otherwise stated)

44. 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 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	83,086,831	–	–	–	834,071	83,920,902
Due from banks and other financial institutions	3,468,005	2,745,336	251,047	–	52,521	6,516,909
Loans and advances to customers	60,739,111	122,458,360	43,900,454	14,637,925	13,302,045	255,037,895
Derivative financial assets	–	–	–		11,605	11,605
Financial investments	47,396,220	29,539,282	105,699,475	40,630,053	11,432,843	234,697,873
Finance lease receivables	24,987,124	215,277	67,212	–	966,285	26,235,898
Other financial assets	–	–	–	–	3,343,765	3,343,765
Total financial assets	219,677,291	154,958,255	149,918,188	55,267,978	29,943,135	609,764,847
Financial liabilities:						
Due to the central bank	7,565,650	2,288,040	–	–	69,783	9,923,473
Borrowings from banks and other financial institutions	7,482,173	13,286,817	112,500	–	391,966	21,273,456
Due to banks	8,562,241	13,675,000	–	–	629,625	22,866,866
Derivative financial liabilities	–	–	–	–	10,708	10,708
Repurchase agreements	8,011,700	–	–	–	8,266	8,019,966
Due to customers	207,276,654	131,110,576	75,770,899	203,727	7,299,796	421,661,652
Debt securities issued	27,128,533	45,891,648	1,995,906	8,000,000	97,589	83,113,676
Other financial liabilities	–	–	–	–	5,017,217	5,017,217
Total financial liabilities	266,026,951	206,252,081	77,879,305	8,203,727	13,524,950	571,887,014
Total interest sensitivity gap	(46,349,660)	(51,293,826)	72,038,883	47,064,251	N/A	N/A

(Amount in thousands of RMB, unless otherwise stated)

44. 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 *(Continued)*
31 December 2018

	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	74,926,646	–	–	–	882,033	75,808,679
Due from banks and other financial institutions	20,072,006	683,064	333,411	–	244,994	21,333,475
Reverse repurchase agreements	10,847,485	–	–	–	8,711	10,856,196
Loans and advances to customers	146,492,971	38,768,695	41,209,817	13,601,293	8,499,035	248,571,811
Derivative financial assets	–	–	–	–	16,248	16,248
Financial investments	20,648,253	38,860,970	114,735,505	42,551,986	8,000,531	224,797,245
Finance lease receivables	20,937,965	270,503	103,200	–	446,207	21,757,875
Other financial assets	–	–	–	–	921,147	921,147
Total financial assets	293,925,326	78,583,232	156,381,933	56,153,279	19,018,906	604,062,676
Financial liabilities:						
Due to the central bank	129,550	3,024,150	–	–	19,854	3,173,554
Borrowings from banks and other financial institutions	4,950,000	9,393,342	150,000	–	184,500	14,677,842
Due to banks	4,788,058	23,415,000	–	–	442,188	28,645,246
Derivative financial liabilities	–	–	–	–	14,608	14,608
Repurchase agreements	2,990,000	–	–	–	739	2,990,739
Due to customers	181,732,459	150,848,844	61,865,703	890,838	4,942,353	400,280,197
Debt securities issued	37,131,748	60,253,547	6,994,628	7,999,766	386,691	112,766,380
Other financial liabilities	–	–	–	–	4,092,733	4,092,733
Total financial liabilities	231,721,815	246,934,883	69,010,331	8,890,604	10,083,666	566,641,299
Total interest sensitivity gap	62,203,511	(168,351,651)	87,371,602	47,262,675	N/A	N/A

44. Financial instrument risk management *(Continued)*

(d) Capital management

The Group's objectives of 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%.

(Amount in thousands of RMB, unless otherwise stated)

44. Financial instrument risk management *(Continued)*

(d) Capital management *(Continued)*

	Group	
	30 June 2019	31 December 2018
Core capital		
Qualified part of share capital	10,995,600	10,995,600
Qualified part of capital reserve	7,857,417	7,989,741
Surplus reserve and general reserve	10,938,839	10,568,876
Retained profits	18,526,171	16,720,480
Qualified part of non-controlling interests	813,717	570,105
Core tier 1 capital deductible items:		
Fully deductible items	(181,793)	(181,279)
Net core tier 1 capital	48,949,951	46,663,523
Net other tier 1 capital	108,496	76,014
Net tier 1 capital	49,058,477	46,739,537
Net tier 2 capital	11,777,477	11,477,169
Net capital	60,835,924	58,216,706
Total risk-weighted assets	495,190,705	479,159,934
Core tier 1 capital adequacy ratio	9.89%	9.74%
Tier 1 capital adequacy ratio	9.91%	9.75%
Capital adequacy ratio	12.29%	12.15%

45. 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.

(Amount in thousands of RMB, unless otherwise stated)

45. 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 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	–	3,119,013	–	3,119,013
– Funds	–	4,741,503	–	4,741,503
– Trust investments and asset management plans	–	36,276,051	–	36,276,051
Subtotal	–	44,136,567	–	44,136,567
Financial assets at fair value through other comprehensive income				
– Debt securities	–	36,599,514	–	36,599,514
– Equity instruments	–	81,368	–	81,368
Subtotal	–	36,680,882	–	36,680,882
Derivative financial assets	–	11,605	–	11,605
Loans and advances measured at fair value through other comprehensive income	–	640,945	–	640,945
Total financial assets	–	81,469,999	–	81,469,999
Financial liabilities measured at fair value				
Derivative financial liabilities	–	10,708	–	10,708
Financial assets disclosed at fair value				
– Debt securities	–	32,617,326	–	32,617,326
– Trust investments and asset management plans	–	118,727,174	–	118,727,174
– Certificate treasury bonds	–	104,446	–	104,446
Financial assets at amortised cost	–	151,448,946	–	151,448,946
Financial liabilities disclosed at fair value				
Financial bonds	–	7,069,374	–	7,069,374
Tier 2 capital bonds	–	7,895,560	–	7,895,560
Negotiable certificates of deposit	–	67,481,442	–	67,481,442
Total	–	82,446,376	–	82,446,376

(Amount in thousands of RMB, unless otherwise stated)

45. 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 *(Continued)*

31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– Debt securities	–	2,602,654	–	2,602,654
– Funds	–	2,433,782	–	2,433,782
– Trust investment and capital management plan	–	33,161,374	–	33,161,374
Subtotal	–	38,197,810	–	38,197,810
Financial assets at fair value through other comprehensive income				
– Debt securities	–	34,274,436	–	34,274,436
– Equity instruments	–	81,368	–	81,368
Subtotal	–	34,355,804	–	34,355,804
Derivative financial assets	–	16,248	–	16,248
Loans and advances measured at fair value through other comprehensive income	–	30,609	–	30,609
Total financial assets	–	72,600,471	–	72,600,471
Financial liabilities measured at fair value				
Derivative financial liabilities	–	14,608	–	14,608
Financial assets disclosed at fair value				
Debt securities	–	31,189,495	–	31,189,495
Trust investments and capital management plan	–	119,365,251	–	119,365,251
Certificate treasury bonds	–	96,685	–	96,685
Total	–	150,651,431	–	150,651,431
Financial liabilities disclosed at fair value				
Financial bonds	–	7,085,687	–	7,085,687
Tier 2 capital bonds	–	7,899,200	–	7,899,200
Negotiable certificates of deposit	–	97,549,185	–	97,549,185
Total	–	112,534,072	–	112,534,072

45. 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.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are 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
Finance lease receivables	Due to customers
Other financial assets	Other financial liabilities

46. 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.

47. Approval of the condensed consolidated interim financial information

The financial statements were approved and authorised for issue by the Board of Directors on 29 August 2019.

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 2019	31 December 2018
RMB current assets to RMB current liabilities	65.28%	86.10%
Foreign currency current assets to foreign currency current liabilities	195.14%	288.96%

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 2019					
Spot assets	2,513,159	19,611	20,827	91,111	2,644,708
Spot liabilities	(872,652)	(37,028)	(8,678)	(74,310)	(992,668)
Forward purchases	429,963	–	–	–	429,963
Forward sales	(429,970)	–	–	–	(429,970)
Net long/(short) position	1,640,500	(17,417)	12,149	16,801	1,652,033
31 December 2018					
Spot assets	2,006,043	23,088	56,508	259,624	2,345,263
Spot liabilities	(236,915)	(36,889)	(14,240)	(91,032)	(379,076)
Forward purchases	675,866	–	–	–	675,866
Forward sales	(675,881)	–	–	–	(675,881)
Net long/(short) position	1,769,113	(13,801)	42,268	168,592	1,966,172

(Amount in thousands of RMB, unless otherwise stated)

(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 2019			
Asia Pacific excluding Mainland China	90,853	–	90,853
– of which attributed to Hong Kong	26,758	–	26,758
Europe	587,759	–	587,759
North America	902,463	–	902,463
Total	1,581,075	–	1,581,075
31 December 2018			
Asia Pacific excluding Mainland China	110,536	–	110,536
– of which attributed to Hong Kong	31,009	–	31,009
Europe	618,807	160,000	778,807
North America	557,387	–	557,387
Total	1,286,730	160,000	1,446,730

(Amount in thousands of RMB, unless otherwise stated)

(d) Loans and advances to customers

(i) Overdue loans and advances to customers

	30 June 2019				
Overdue days	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	877,003	384,903	347,650	2,699	1,612,255
Guaranteed loans	5,402,491	1,466,063	441,304	21,835	7,331,693
Loans secured by mortgages	5,213,931	1,264,316	830,706	12,225	7,321,178
Pledged loans	40,731	93,310	40,298	–	174,339
Total	11,534,156	3,208,592	1,659,958	36,759	16,439,465

	31 December 2018				
Overdue days	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	430,982	745,584	215,689	2,364	1,394,619
Guaranteed loans	3,296,937	1,062,904	682,281	19,196	5,061,318
Loans secured by mortgages	2,721,782	559,982	849,385	11,606	4,142,755
Pledged loans	108,785	31,526	49,292	–	189,603
Total	6,558,486	2,399,996	1,796,647	33,166	10,788,295

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

	30 June 2019	31 December 2018
Amounts for overdue loans and advances to customers		
Heilongjiang region	5,835,596	4,140,180
Northeastern China excluding Heilongjiang	4,102,627	2,453,154
Northern China	3,446,550	1,558,452
Southwestern China	2,370,925	2,044,058
Other regions	683,767	592,451
	16,439,465	10,788,295

(Amount in thousands of RMB, unless otherwise stated)

(e) Overdue accounts from banks and other financial institutions

As at 30 June 2019, there were no overdue accounts from banks and other financial institutions in respect of principal or interest (31 December 2018: Nil).

(f) Overdue placements with banks and other financial institutions

As at 30 June 2019, there were no overdue placements with banks and other financial institutions in respect of principal or interest (31 December 2018: Nil).

(g) Exposures to Mainland China non-bank entities

	30 June 2019	31 December 2018
On-balance sheet exposure	282,404,848	271,455,141
Off-balance sheet exposure	95,029,842	99,319,879

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

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HarbinBank