



2017 Interim Results Announcement

August, 2017 Hong Kong

Stock Code : HK.6138

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Financial Performance



Key Financial Indicators

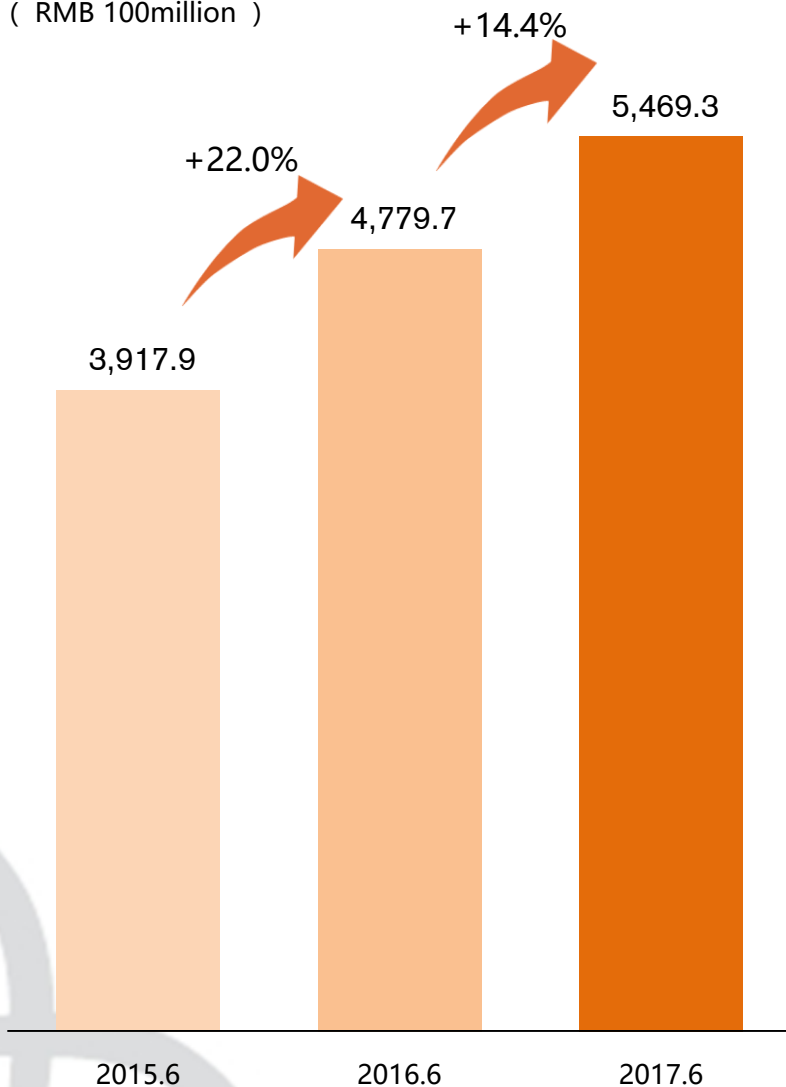
(RMB 100million)	2016.12	2017.6	Changes	
Assets	5,390.16	5,469.27	↑	1.47%
Including : Loans and advances to customers	2,016.28	2,259.06	↑	12.04%
Liabilities	5,016.81	5,068.72	↑	1.03%
Including : Customer deposits	3,431.51	3,449.01	↑	0.51%
Equity attributable to Shareholders	373.35	400.55	↑	7.29%

(RMB 100million)	2016.6	2017.6	Changes	
Operating Income	68.60	74.72	↑	8.93%
Including : Net interest income	54.13	63.24	↑	16.83%
Profit before tax	31.63	36.41	↑	15.12%
Net profit attributable to shareholders	24.59	26.60	↑	10.01%
Net Asset Value per share (RMB Yuan)	3.11	3.54	↑	13.83%
Earnings per share (RMB Yuan)	0.22	0.24	↑	9.09%
Return on Invested Capital	14.36%	14.09%	↓	0.27percentage point
Cost-to-income ratio	24.85%	24.02%	↓	0.83percentage point

Steady Assets Growth, Both Deposits and Loans Achieved New Records

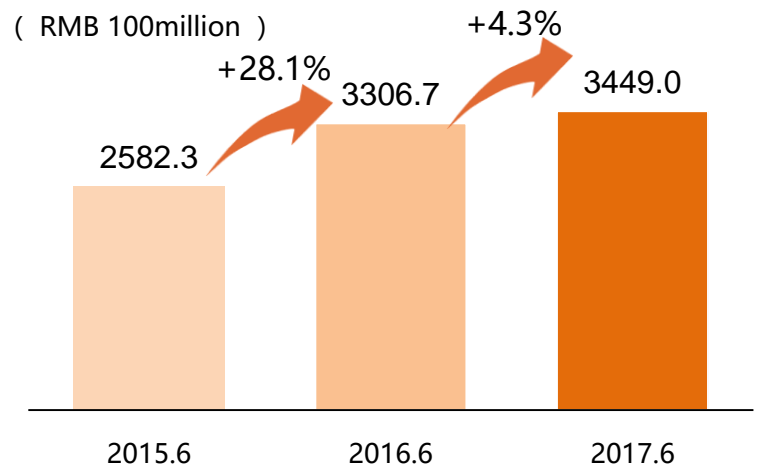
Assets

(RMB 100million)



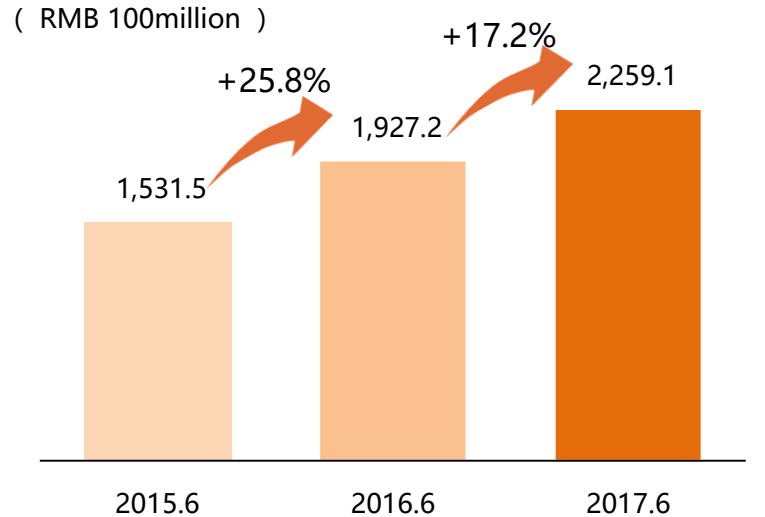
Deposits

(RMB 100million)



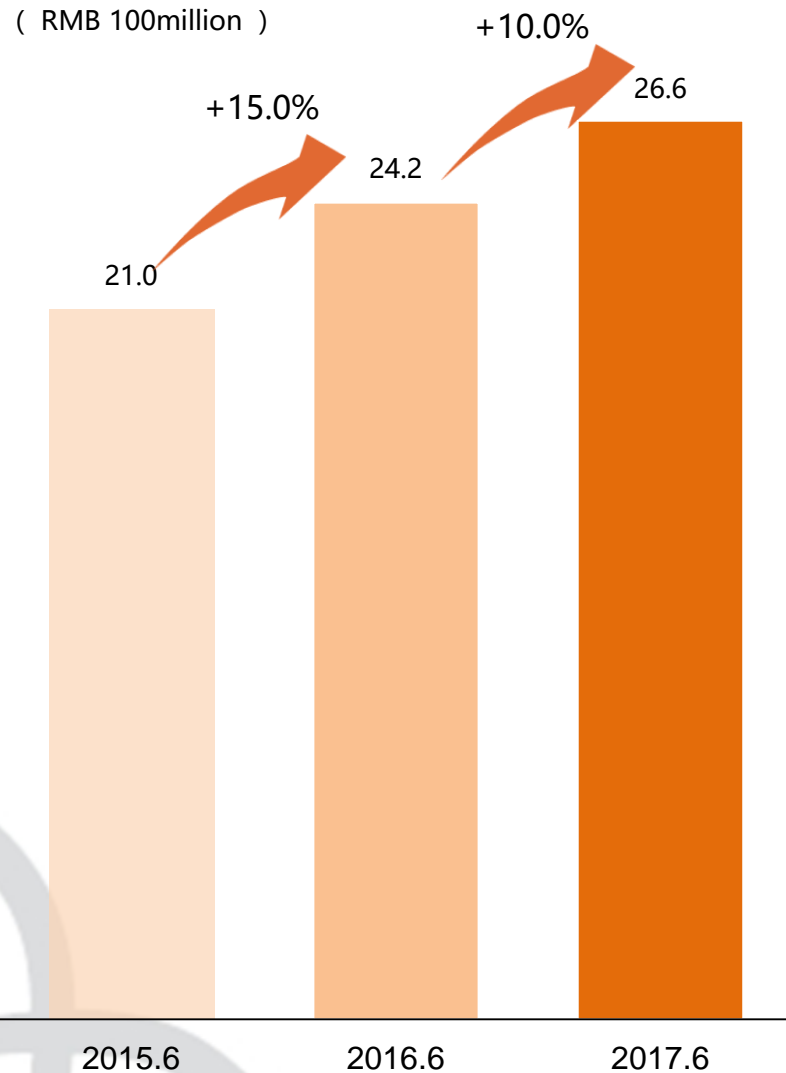
loans

(RMB 100million)



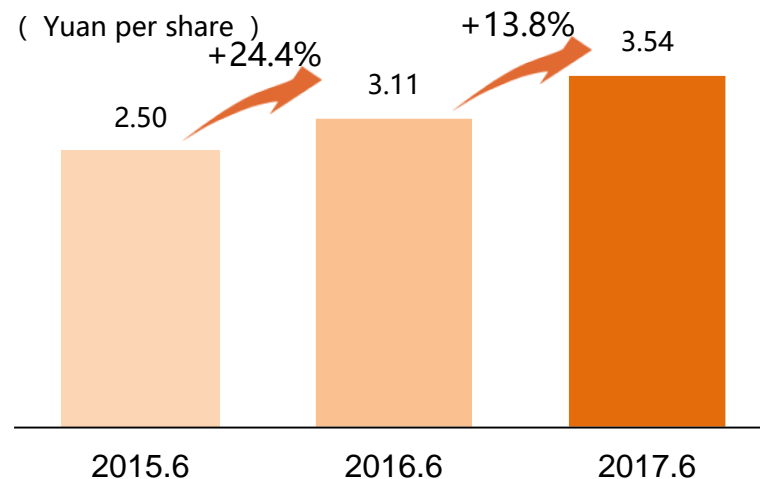
Net profit attributable to shareholders of the Bank

(RMB 100million)



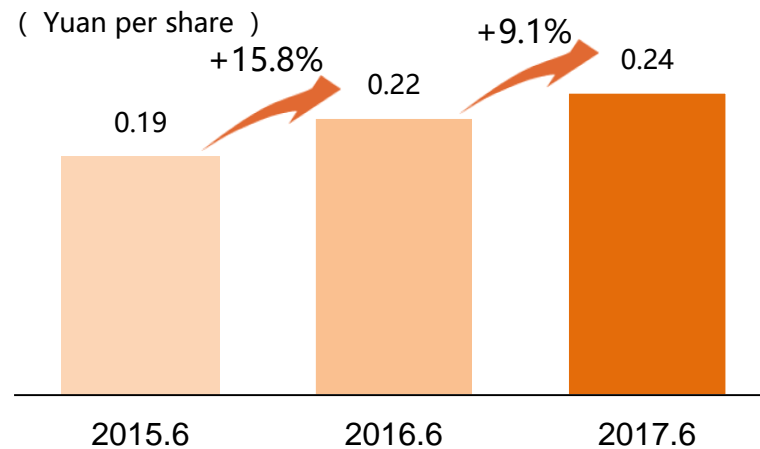
Net asset value per share

(Yuan per share)



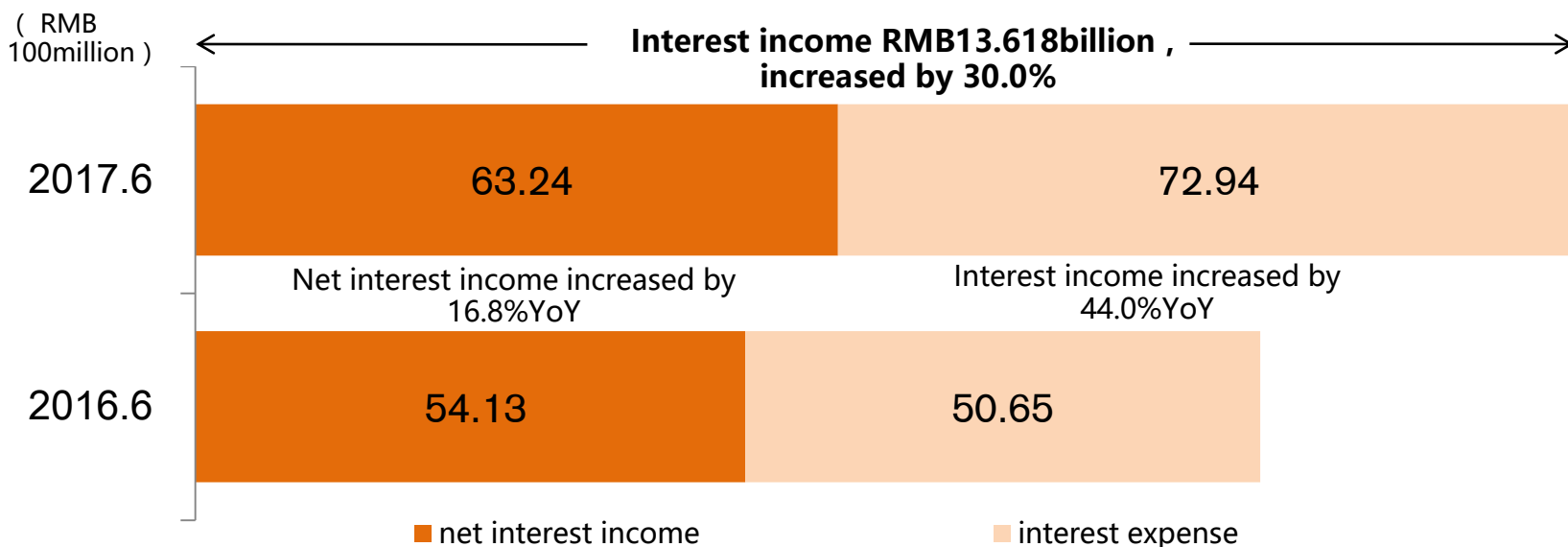
Earnings per share

(Yuan per share)



Interest Income Keep Increasing, Earning Level Remains Good Condition

Interest Income



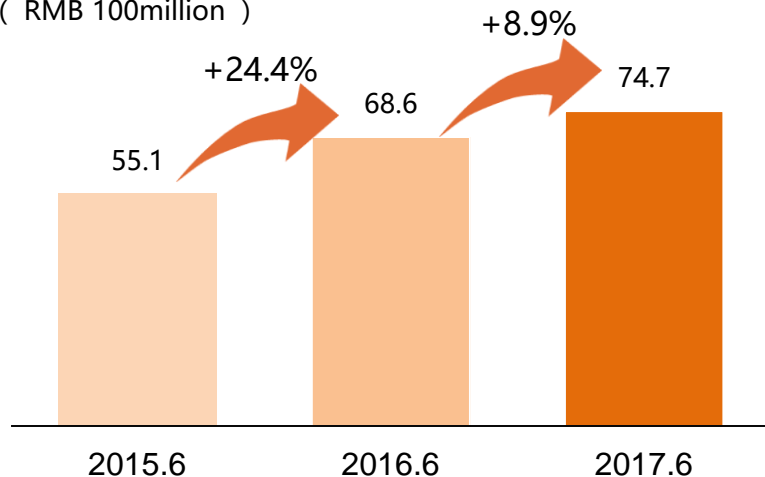
Earning level remains good condition

Item (unit%)	2016.6	2017.6	change
Yields on interest bearing assets	5.18%	5.19%	⬆️ +1bps
Interest –bearing debt interest rate	2.69%	2.96%	⬆️ +27bps
NIM	2.68%	2.42%	⬇️ -26bps
NIS	2.49%	2.23%	⬇️ -26bps

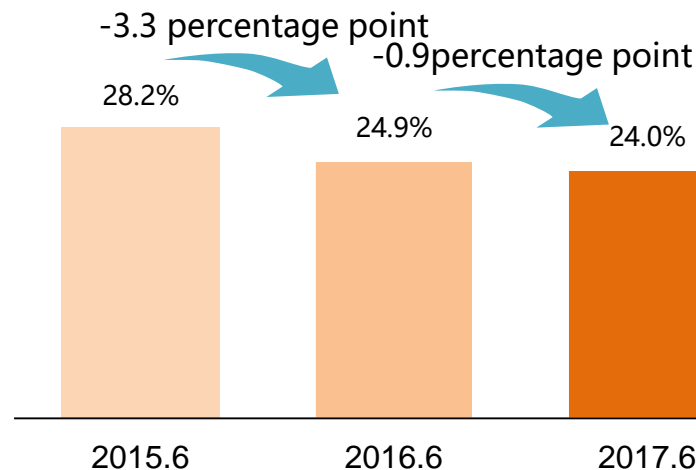
Optimized Operating Efficiency & Significantly Improved Cost Control

Operating income

(RMB 100million)

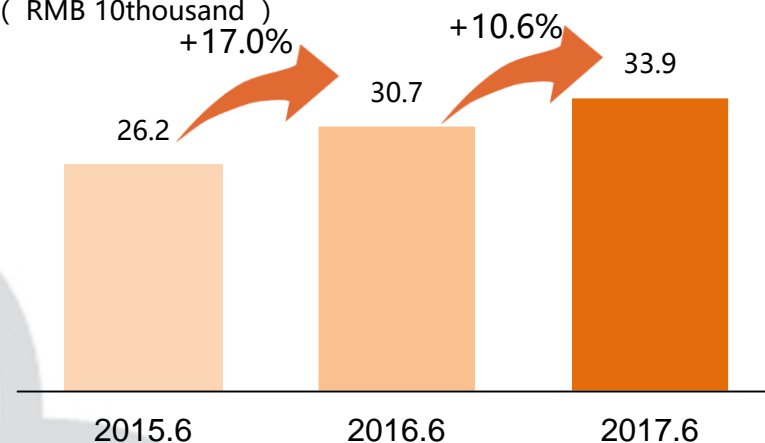


Cost-to-income ratio



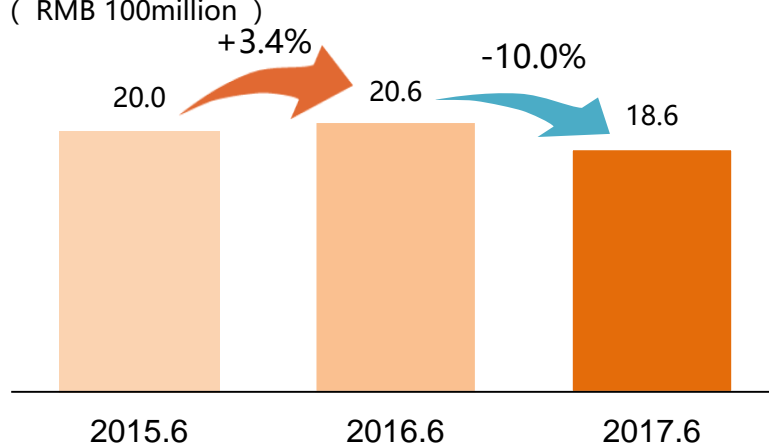
Per capita profit

(RMB 10thousand)

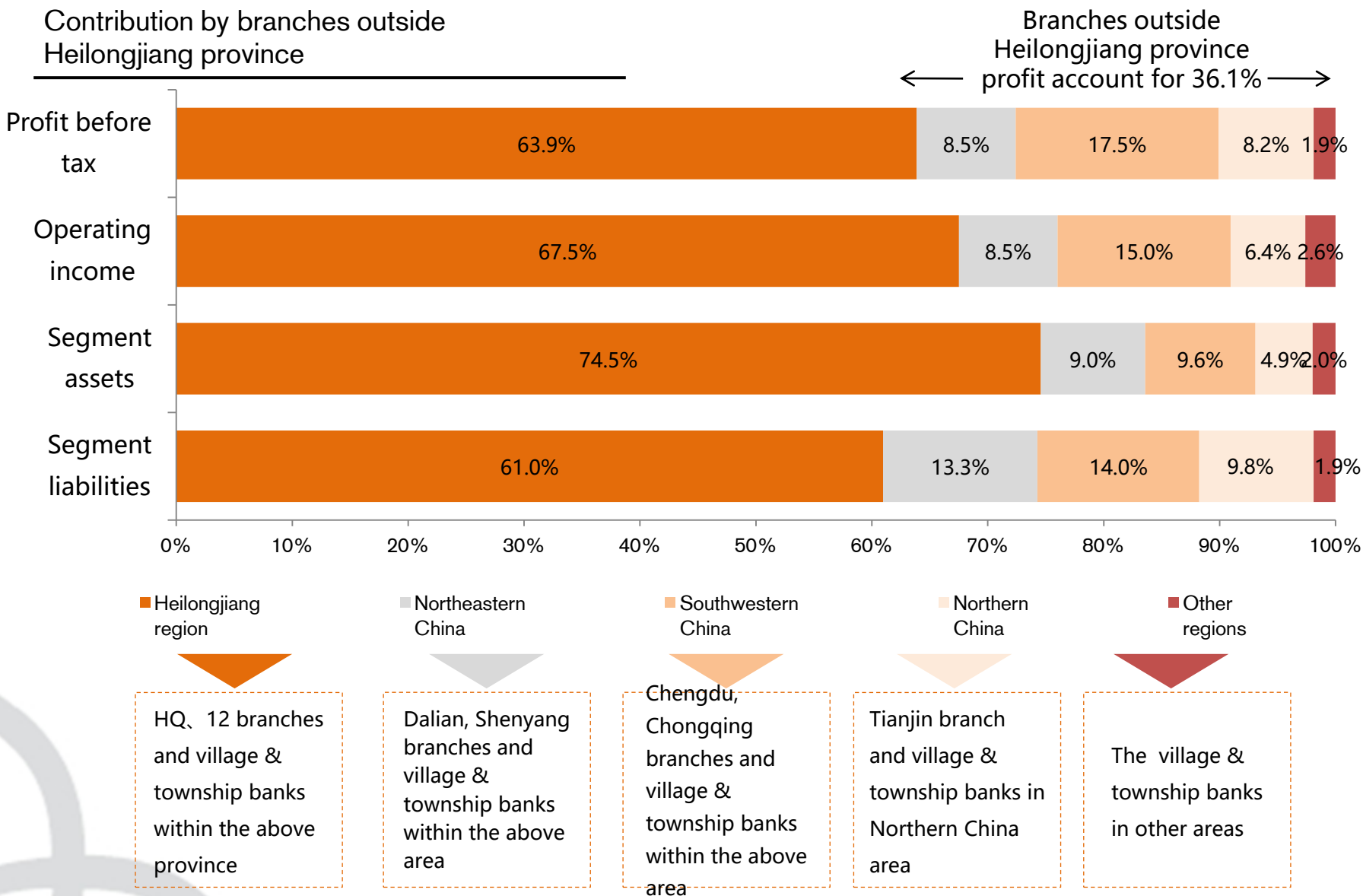


Operating expenses

(RMB 100million)

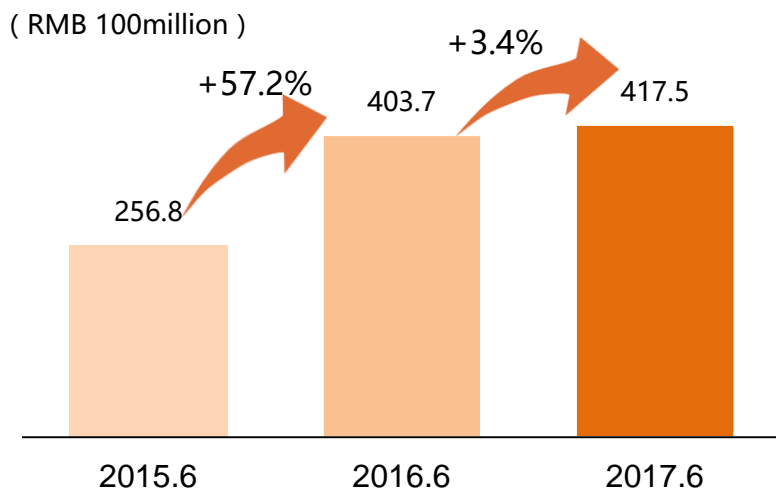


Steady Development of Branches Outside Heilongjiang Province with Constantly Increasing Profit Contribution



Stable Development of Subsidiaries with Continuous Group Layout

Total Assets of Subsidiaries



Group Layout Improves Gradually



City commercial bank with most subsidiaries in China

34 Controllable subsidiaries
Located across **16** regions

■ Provinces with operating divisions.



Group Layout Formalized

village and township banks

- **32** village and township banks (2 in preparation)
- **35** sub-branches of village and township banks
- Located in northeastern China, northern China, northwestern China , southwestern China, central China, southern China, eastern China and other administrative areas.
- As at 30 June 2017 , the total assets amounted to RMB **23.87** billion , the total loan amounted to RMB **12.73** billion , representing an increase of **9.4%** YoY.
- As at 30 June 2017, the net profits was RMB **119** million.
- **HB Leasing**
- Started business in June,2014 with RMB **2** billion registered capital, of which the bank holds **80%** of its equity interests.
- First financial leasing company in Northeastern China and mainly focus on agricultural machinery leasing.
- As at 30 June 2017 , the total assets amounted to RMB **17.38** billion.
- As at 30 June 2017 , the net profit was RMB **61** million.
- For three consecutive years , won the Best Agricultural Financial Leasing Company selected by First Financial Magazine.

HB Consumer Finance

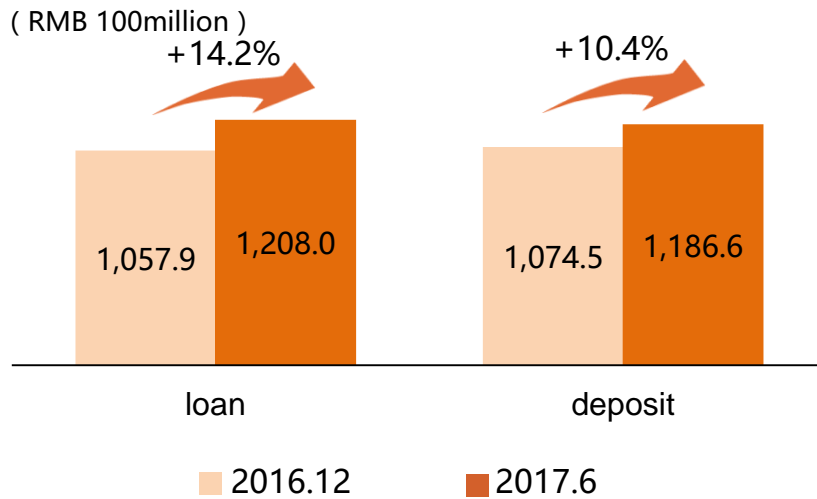
- started business in April, 2017.
- Registered capital is RMB 500bmillion Yuan, the bank holds **59%** of its equity interests.
- First Consumer Finance Company in Heilongjiang
- As at 30 June 2017 , the total assets was RMB **505** million.

02 | Business Operation

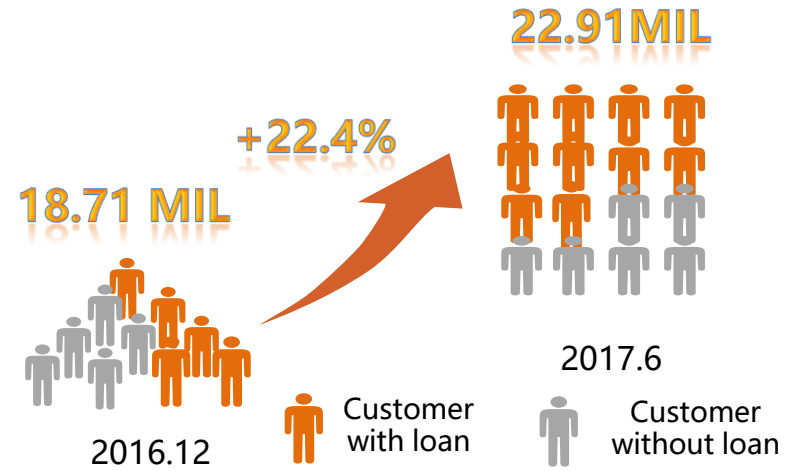


Contribution from Retail Banking Continuously Improved with Stronger Development Base

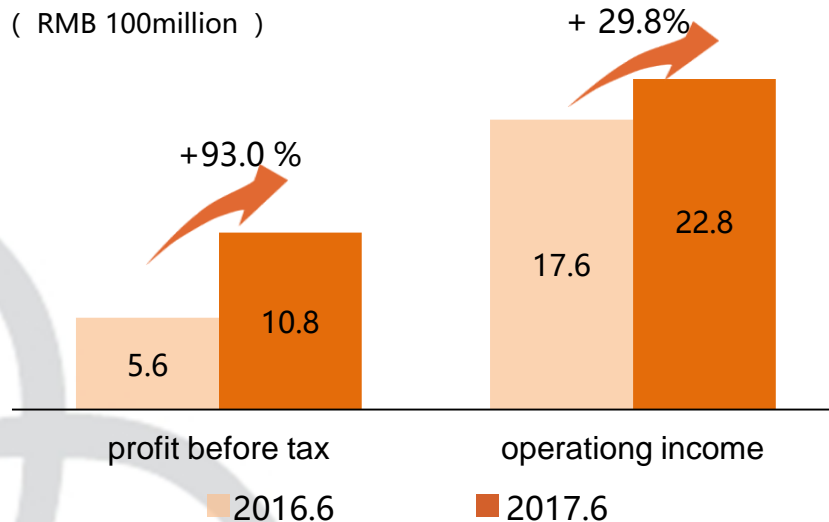
Retail loans and deposits in sustained growth



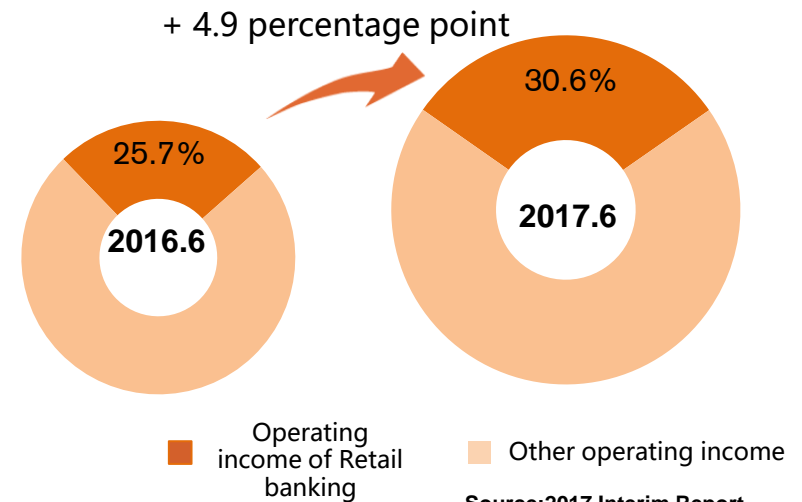
Number of customers in steady growth



Profit before tax, operating income in high growth



Contribution from retail banking continuously increased

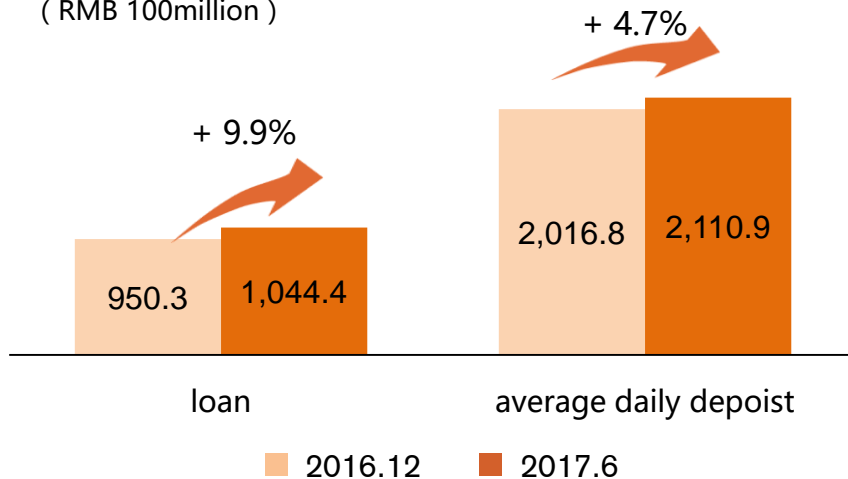


Source:2017 Interim Report

Corporate Finance Increased Steadily with More Focus on Characteristic Business

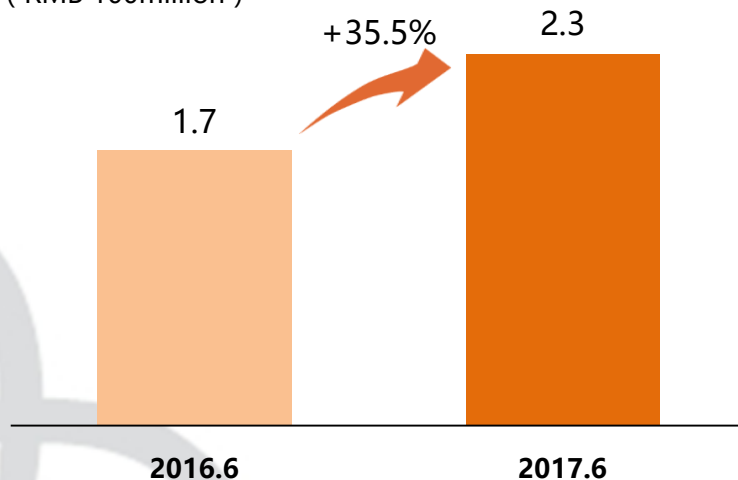
Corporate loans and deposits in steady growth

(RMB 100million)



Fee and commission income in sustained growth

(RMB 100million)



Consolidate business base and develop characteristic business

Breakthroughs achieved for Branch Development

- ✓ Corporate deposits of Harbin Branch occupy **14.6%** of local market share , rank **NO.1**, and corporate loans rank **No.2** ;
- ✓ active marketing on M&A loan, industrial funds, loan and investment linkage business, city investment bonds and enterprise asset backed securities.

New Brands in Characteristic Business

Russian Finance

First investment in Russian Panda Bond. On-and-off balance sheet Russian business assets increased by **24.8%**.

SME Finance

Carry out loan and investment linkage business, with equity investment balance **RMB 170** million and loan credit **RMB 1.7** billion.

Modern Agricultural Finance

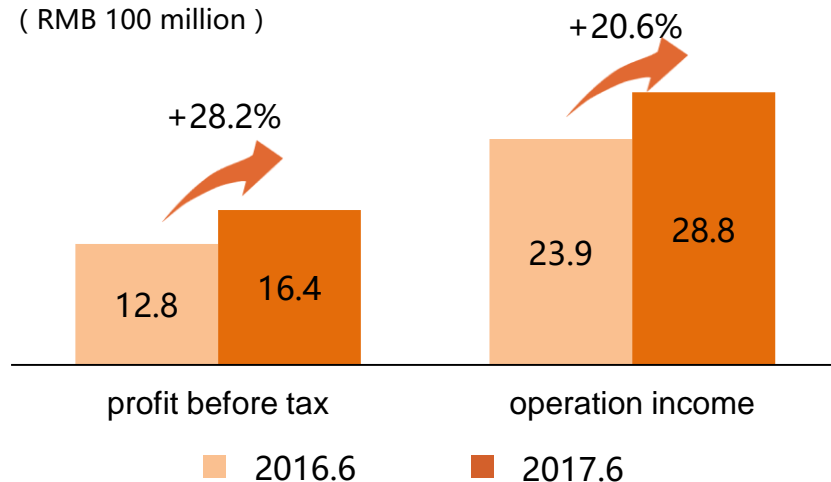
Establish food production , supply and sale financial service, loans related to agriculture amounted to **RMB 28.25** billion.

Source:2017 Interim Report

Interbank Business Steadily Developed with Reasonable Control on Scale.

Interbank Profit before tax, operating income

(RMB 100 million)

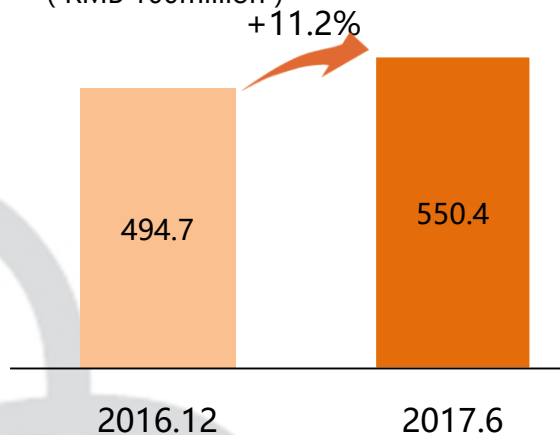


Carry out various business

- ✓ Issuance of first **RMB 5** billion Green Financial Bonds.
- ✓ The first half year trading volume of securities was **RMB 3.38** trillion , which was **2.19** times larger YoY.
- ✓ Actively promoting issuance of small business financial bonds and credit loan asset-backed securities, breakthroughs was made in asset custody business .

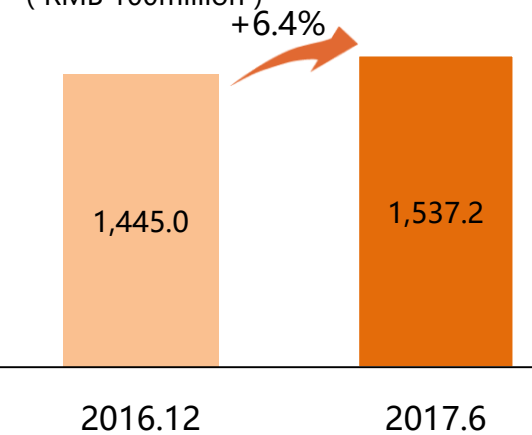
Trading securities investment balance

(RMB 100million)



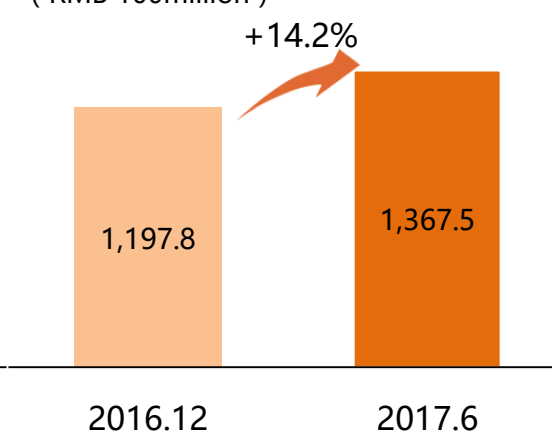
Invest in financial institutions to issue debt instruments

(RMB 100million)



Wealth management product balance

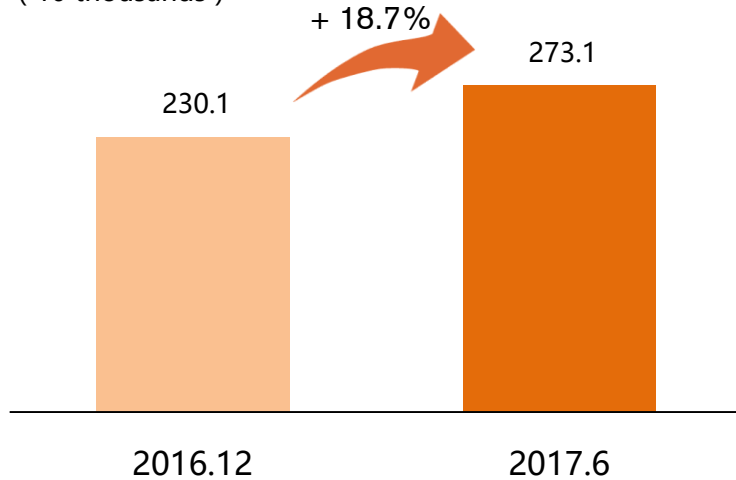
(RMB 100million)



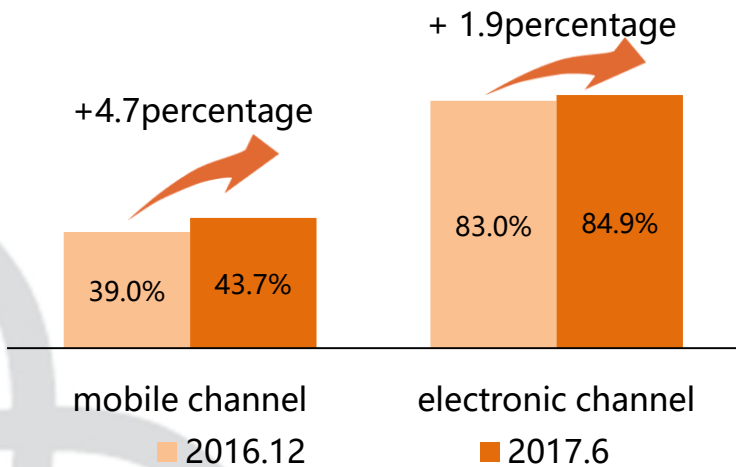
Optimizing Mobile Financing Channel with constantly improving Customer-obtaining Ability

Number of total mobile finance customers instable growth

(10 thousands)



E-banking replacement rate in steady growth



Mobile Financing channel is increasingly completed

Online banking

(10 thousands)



More than **150.1** Customers increased by **3.5** % than the beginning of the year

Mobile banking



More than **50** active new users Increased by **56.3** % than the beginning of the year

WeChat Banking



Followers exceeds **123** Increased by **44.7** %

Telephone banking



Customer service number 95537 Served **173.5** customers in the first half year.

Direct banking

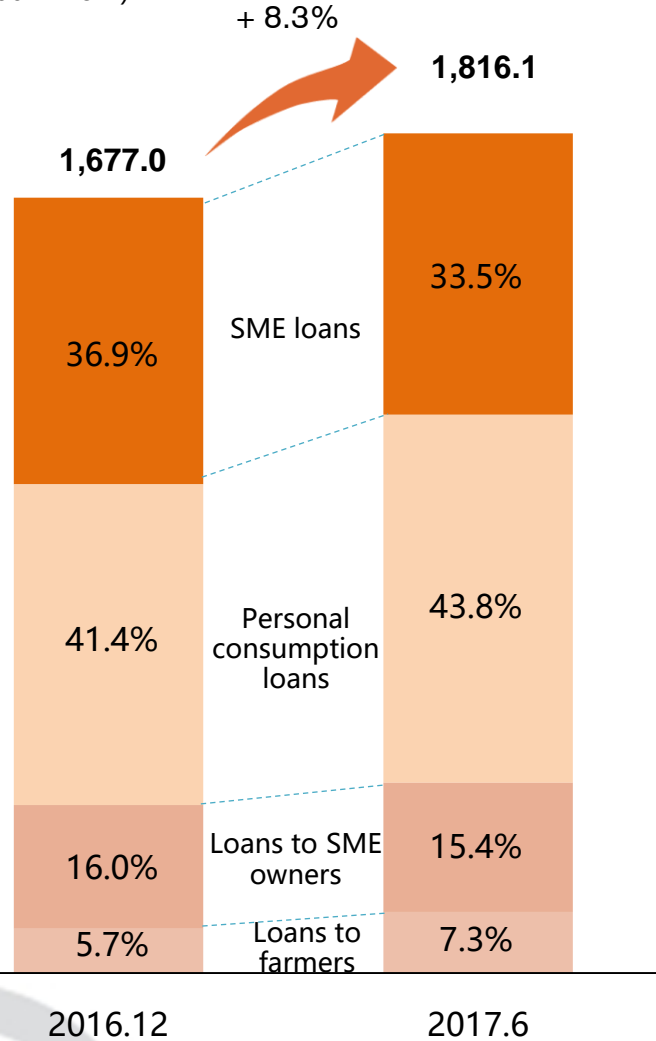


Online operation on Oct.2016 with registered Customers during the first half of 2017 amounted to **8.9**

Microcredit Business Continued to Expand with Strengthened Strategic Status

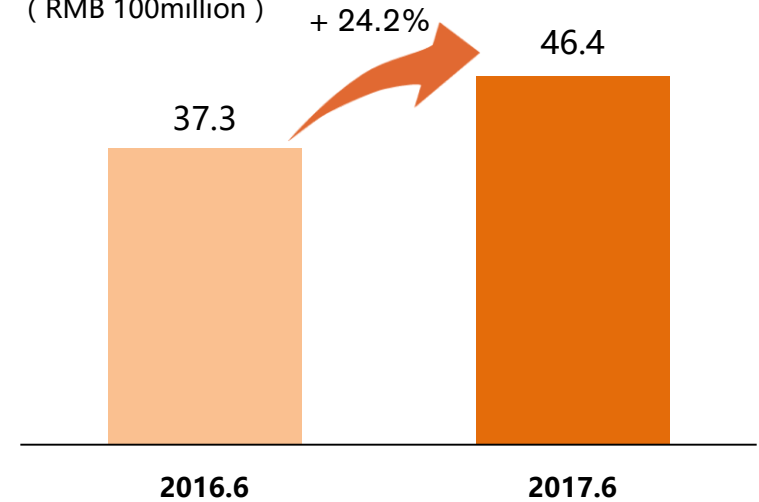
Microcredit balance

(RMB 100million)

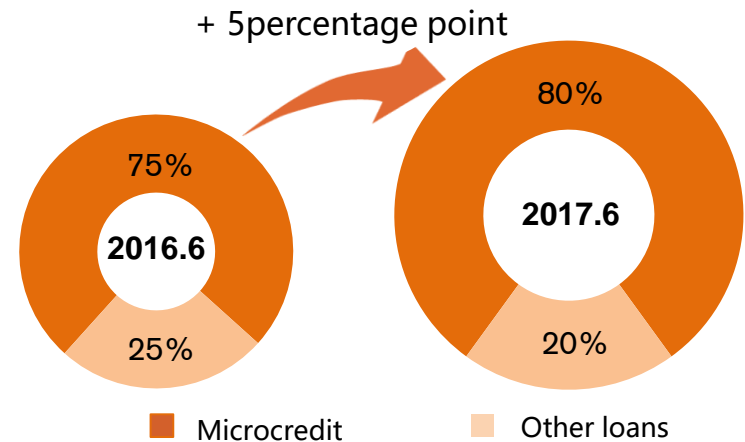


Interest income of Microcredit

(RMB 100million)

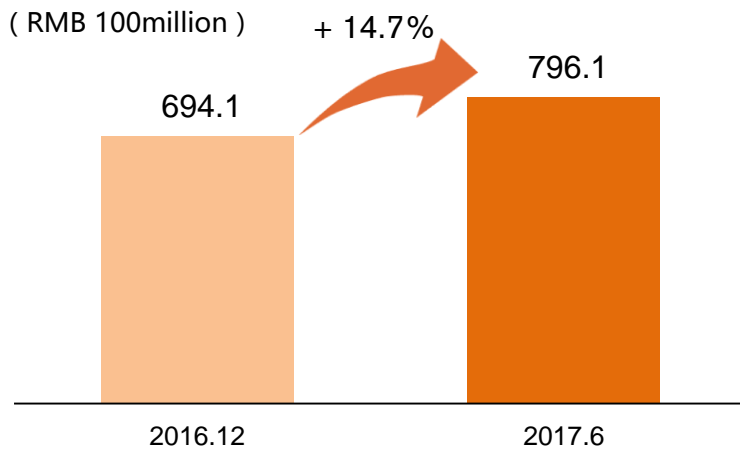


Microcredit weight in total portfolio Remained stable

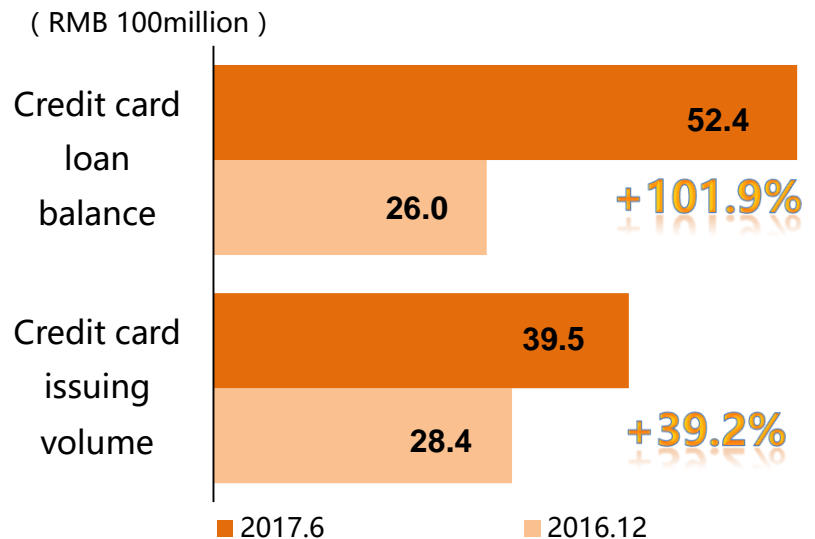


Prioritized the development of consumer finance business with Continuous growth of business scale

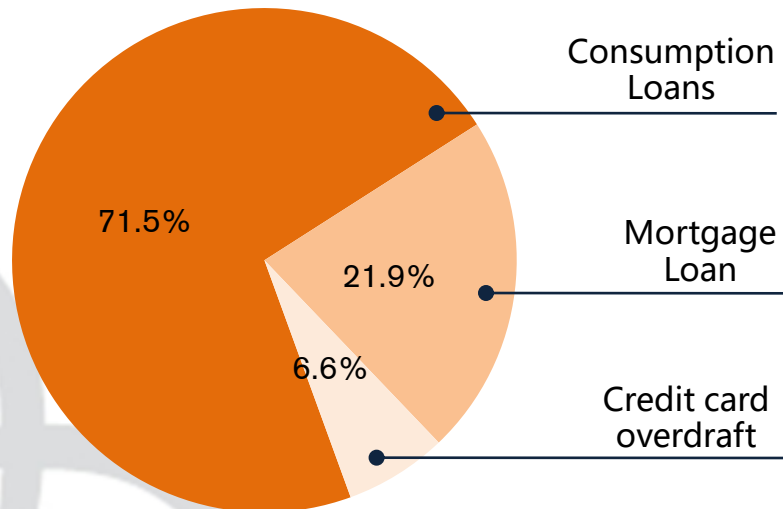
consumer finance scale grew continuously



Various business developed steadily



Distribution of consumer loan structure



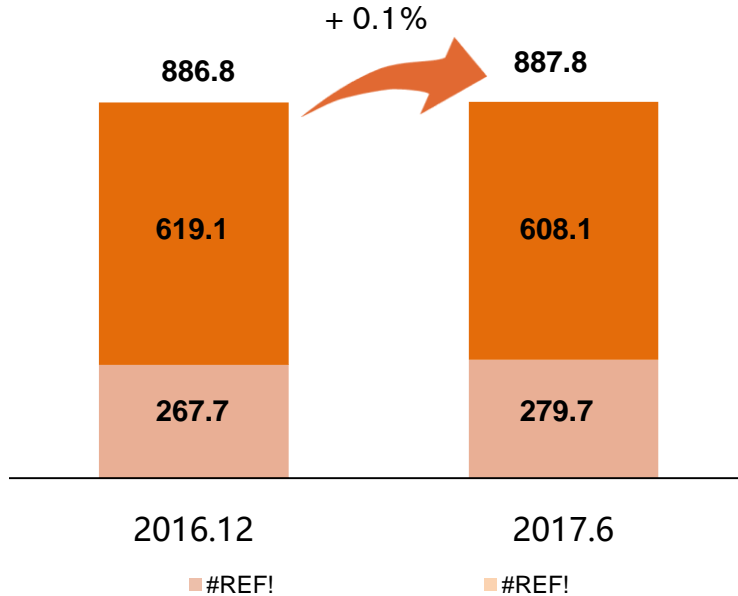
Consumption purposed personal loan balance is RMB **56.93bn** Yuan , increased by **7.9%**, account for **71.5%** of the total personal consumption loan.

Mortgage purposed personal loan balance is RMB **17.44bn** Yuan , increased by **24.2%** , account for **21.9%** of the total personal consumption loan.

Microfinance and Agriculture Loans Highlight Solid Progress and Unique Features

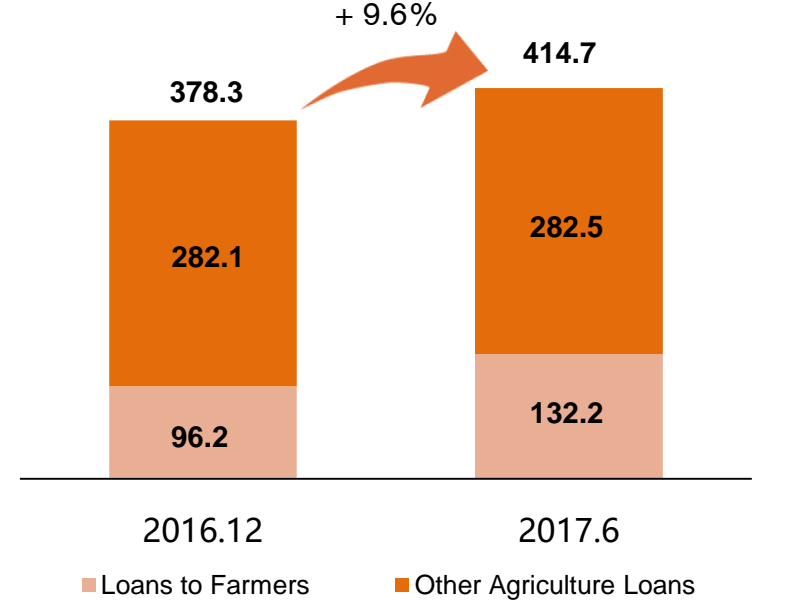
Microfinance balance

(RMB 100million)



Agriculture loans balance

(RMB 100million)



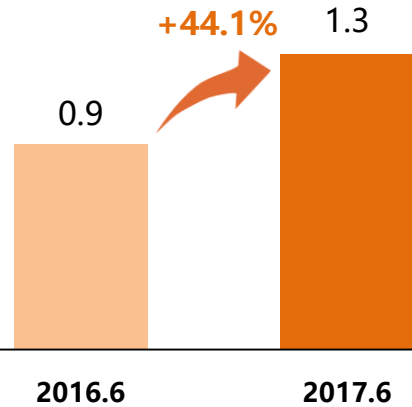
- ✓ Focus on developing technological innovation-oriented enterprises and pension industry customers;
- ✓ Develop distinctive SME products, such as property loan, Yiyang loan, Online circulating loan, etc.;
- ✓ Complete multi-dimension monitoring and defense models, applying credit and risk alerting systems to mine and analyze data, realizing dynamic risk alerting management.

- ✓ Innovated the  product, achieved **14** thousand transactions with a balance of **1.51** bn Yuan;
- ✓ Introduced pledged loan secured by live poultry, namely “ChuBaoTong” (畜保通);
- ✓ Launched Agricultural cooperatives specialized product—intensive agricultural loan;
- ✓ Positively innovated green agriculture investment-loan linkage financing mode.

Sino-Russia Finance Developed Vigorously and Brand Image Continued to Increase

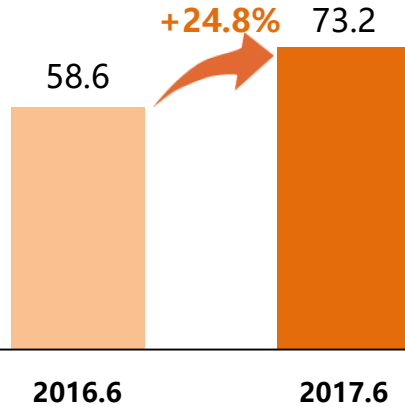
Sino-Russia operating income

(RMB 100million)



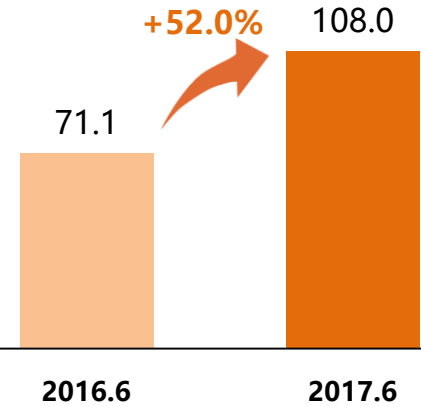
Sino-Russia on-and off-balance sheet balance

(RMB 100million)



Total credit on Sino-Russia interbank

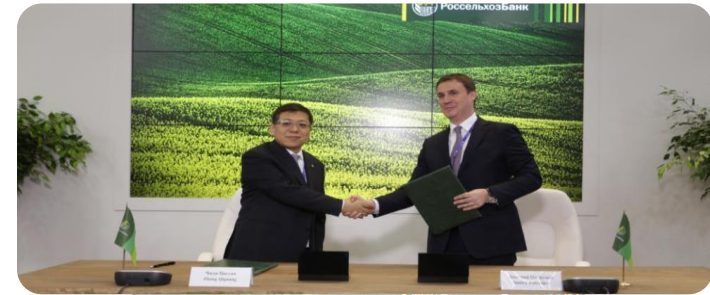
(RMB 100million)



The influence of Sino-Russia Financial Council ceaselessly increasing ,the heat of collaborations persisting



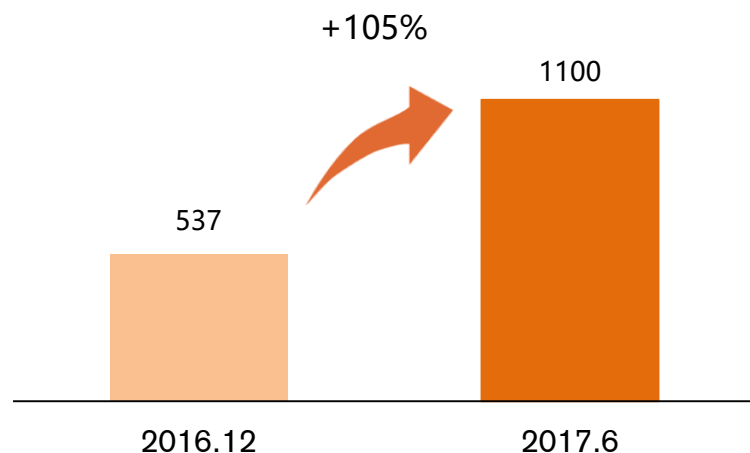
- ✓ During the report period, newly joined 5 partners, total number of partners increased to 64
- ✓ Completed the Sino Russian hi-tech industry investment fund signing ceremony with Sberbank and VEB, Participated in the twenty-first St Petersburg International Economic Forum



- ✓ Became the bank with most Russian agency banks (140 in total) in China
- ✓ 10 billion RMB syndicated loan lead up to VEB has formally been actualized
- ✓ Participated in the \$500 million cross border syndicated loan to the Credit Bank of Moscow

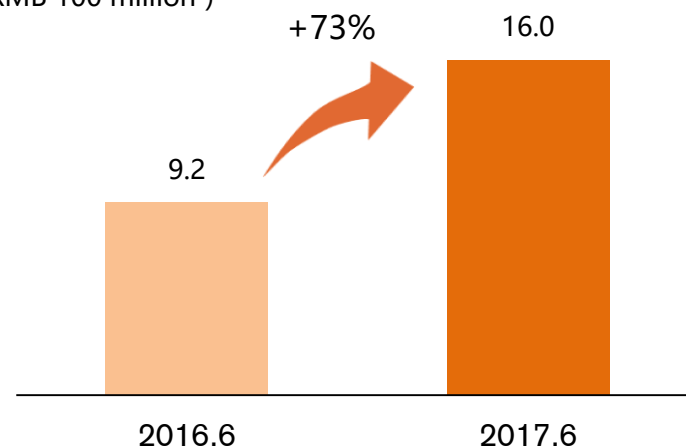
Cross-border E-commerce Platform Developed Tremendously, Market Position Promoted Rapidly

Existing cross border customers



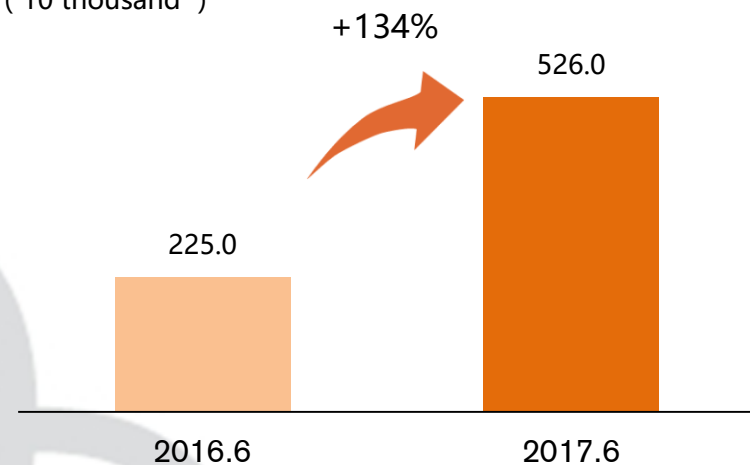
Trading amount

(RMB 100 million)



Trading volume

(10 thousand)



Cross-border E-commerce Platform Maintained expansionary development

Ranked **3rd** of Cross-border electricity export trade online payment settlement suppliers , accounted for **13%** of China interbank market.

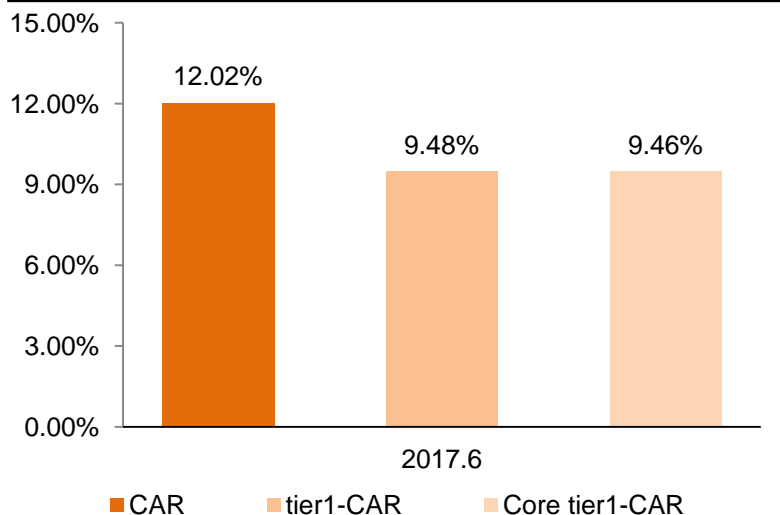
Cross-border e-commerce platform has been classified as a major construction project complied for "One Belt, One Road" by National Development and Reform Commission

03

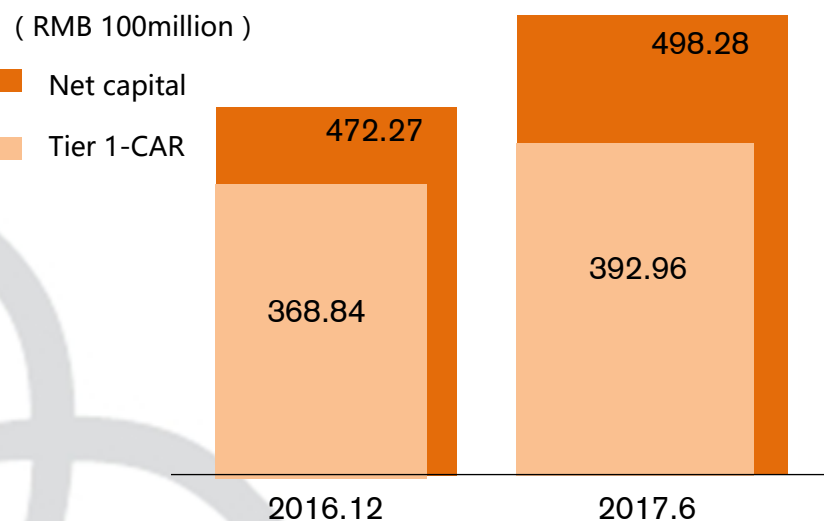
Risk
Management




Sufficient Capital





Steady increase of net capital



More Active Capital Management

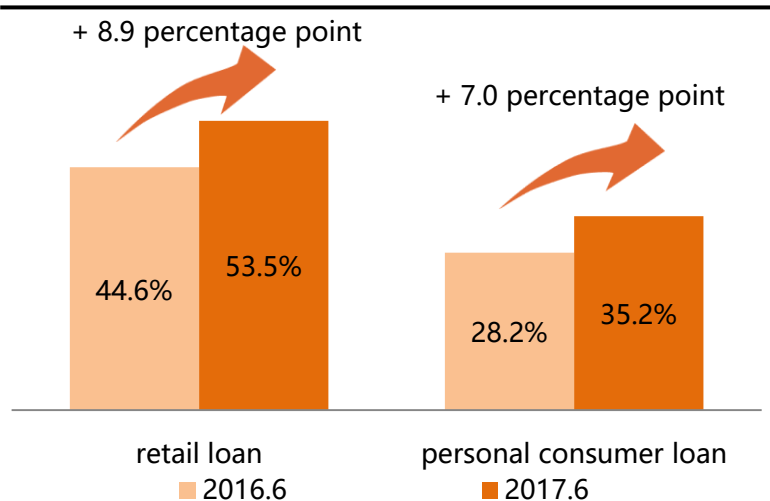
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With overall balance of capital, efficiency and risk as the operation principle, the Bank carried on capital supplement in a planned way such as implementing capital planning by promoting A-share listing. By the end of June 2017, net capital and capital adequacy ratio increased 5.5% and 5bp respectively comparing to the end of 2016.
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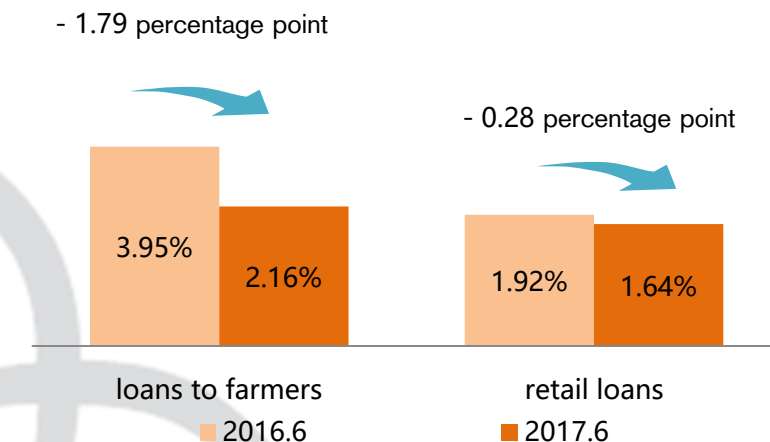
The Bank continued to promote the compliance and standard attainment of new Basel Capital Accord, all-around realized the application of the internal evaluation on retail and non-retail as well as collateral risk valuation model which shows that the Bank will firmly apply internal rating method to develop credit risk measurement.
- 

Following the principle of capital constraint, the Bank strengthened capital management, made full use of revenue of RAROC indicators after risk adjustment to implement credit asset allocation, credit business approval and perform assessment, achieving maximum profit for credit risk assets after risk coverage.

Retail credit business accounts for



Retail credit NPL accounts for



In accordance with the regulatory requirements of the New Capital Accord, firmly push forward the comprehensive risk management

Credit Risk

(Put the internal assessment results into good use with constantly optimized measurement model and accomplished mortgage management, meanwhile, exercised strict control over risk policy, and continuously perfected risk monitoring and early warning system.)

Liquidity Risk

(Comprehensively carried forward the precise management of liquidity risk with further optimized quota system, effective liquidity pressure test and high quality liquid asset reservation.)

Market Risk

(Optimized market risk management and control system with optimizing market risk monitoring and early warning mechanism and orderly proceeded internal model progress.)

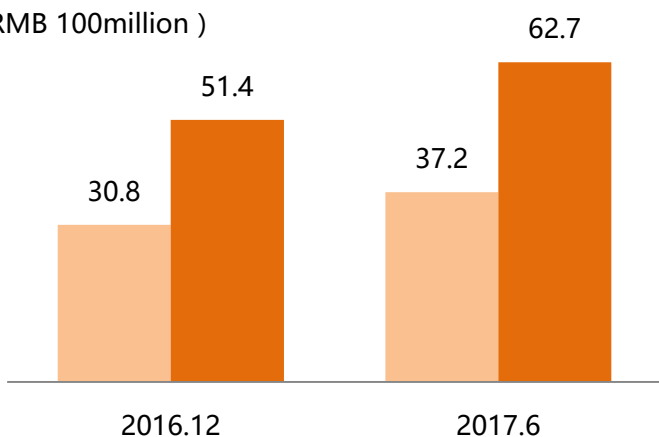
Operational Risk

(all-around popularized three important operational risk management tools and continuously optimized the business continuity management system)

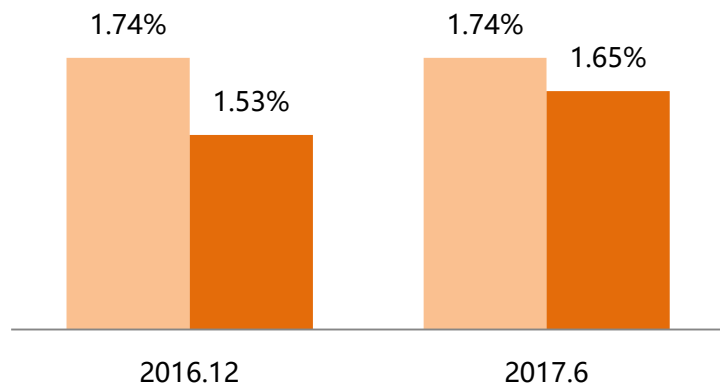
Sufficient Provision of The Impairment Losses on Assets With Controllable Risk

Asset quality with controllable risk

(RMB 100million)

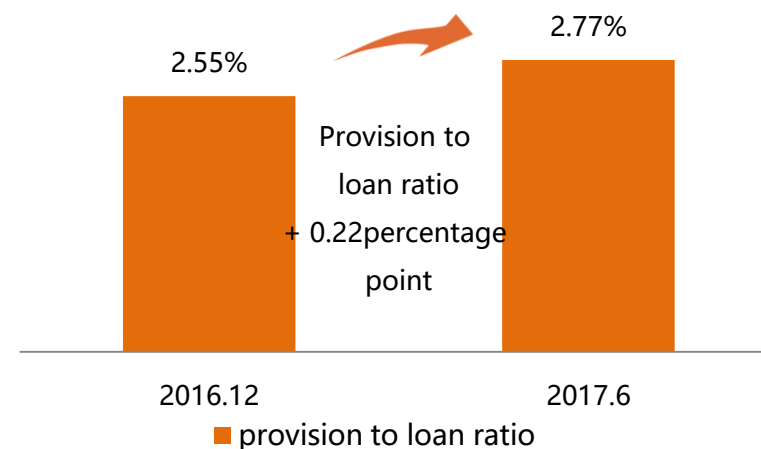
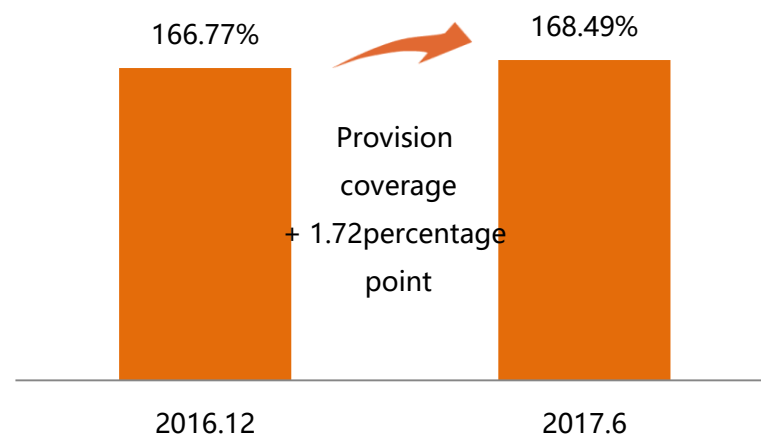


■ NPL ■ loan impairment provision balance



■ industry average NPL ratio ■ NPL ratio of the Bank

Intensify provision calculation and extraction



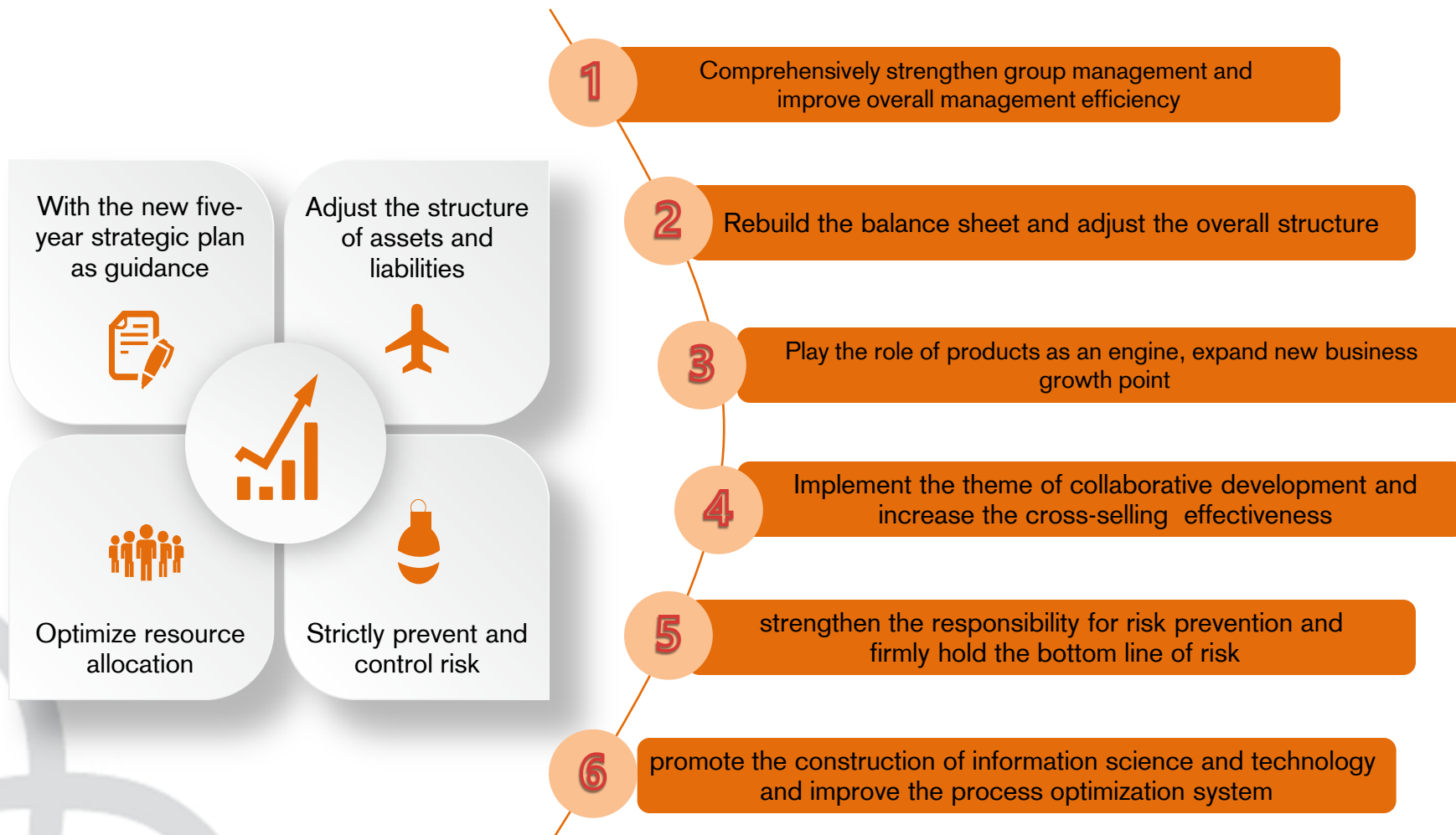
The Bank sticks to take prudence as its principle and makes provision for impairment in the full amount. As at 30 June 2017, impairment losses on loans amounted to RMB 6,268 million, up RMB 1,128 million as compared to the end of last year. The impairment losses on loans ratio was 2.77%, up 0.22 percentage points as compared to the end of the last year, and the provision coverage was 168.49%.

04 | Outlook



The Main Strategies for the Second Half of 2017

Restructuring , emphasis on product quality , promote collaborative development , control risk, strengthen management , consolidate the basis



Q&A !

Appendix: key financial indicators of the first half of 2017

Indicators of profit & loss (RMB m)	Jan-June 2016	Jan-June 2017	Growth %
Operating income	6,859.5	7,472.1	↑ 8.93%
Of which: net interest income	5,413.2	6,324.2	↑ 16.83%
Net fee and commission income	1,262.9	1,213.0	↓ 3.95%
Net Profit	2,459.3	2,689.2	↑ 9.35%
Net profit attributable to our shareholders	2,417.7	2,659.7	↑ 10.01%
Net assets per share attributable to our shareholders	3.11	3.54	↑ 13.65%

Asset scale indicators (RMB m)	2016.12.31	2017.6.30	Growth %
Total assets	539,016.2	546,927.1	↑ 1.47%
Of which: total loans and advances to customers	201,627.9	225,905.7	↑ 12.04%
Total liabilities	501,681.2	506,872.0	↑ 1.03%
Of which: deposits from customers	343,151.0	344,901.2	↑ 0.51%
Share capital	10,995.6	10,995.6	—
Total equities	37,335.0	40,055.1	↑ 7.29%

Profitability indicators (%)	Jan-June 2016	Jan-June 2017	Change %
Average total assets return	1.07	0.99	↓ 0.08
Average equity return	14.36	14.09	↓ 0.27
Net interest spread	2.49	2.23	↓ 0.26
Net interest margin	2.68	2.42	↓ 0.26
Net fee and commission income to operating income ratio	18.41	16.23	↓ 2.18
Cost-to-income ratio	24.85	24.02	↓ 0.83

Asset quality indicator (%)	2016.12.31	2017.6.30	Change %
NPL ratio	1.53	1.65	↑ 0.12
Impairment losses on loans	2.55	2.77	↑ 0.22
Provision coverage ratio	166.77	168.49	↑ 1.72
Core tier-1 capital adequacy ratio	9.34	9.46	↑ 0.12
tier-1 capital adequacy ratio	9.35	9.48	↑ 0.13
capital adequacy ratio	11.97	12.02	↑ 0.05
Loan-to-deposit ratio	58.76	65.50	↑ 6.74



Thanks !

